

CONTINUING EDUCATION
CALIFORNIA STATE UNIVERSITY,
STANISLAUS

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ABBREVIATIONS

AAHE-NCHE	American Association of Higher Education–National Conference on Higher Education
AVPAA	Associate Vice President, Academic Affairs
ALCP	American Language & Culture Program
A&R	Admissions and Records
CE	Continuing Education
CERF	Continuing Education Revenue Fund
CO	Chancellor's Office
CODEC/ITFS	Instructional Television Fixed Services
CSU	California State University
CSUS	California State University, Stanislaus
EE	Extended Education
EO	Executive Order
FTES	Full Time Equivalent Students
MCRC	Multi Campus Regional Center
OIT	Office of Information Technology
SAM	State Administrative Manual
SUAM	State University Administrative Manual
UEE	University Extended Education
VPAA	Vice President, Academic Affairs
WASC	Western Association of Schools and Colleges

INTRODUCTION

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of Continuing Education programs and to determine the adequacy of controls over Continuing Education Revenue Fund (CERF) operations.

Within the overall audit objective, specific goals included determining whether:

- ▶ the campus maintains a clear distinction between campus owned and auxiliary owned programs and has written agreements with auxiliary organizations for the administration and management of Continuing Education programs;
- ▶ technology delivered distance education controls are similar to those maintained over traditionally delivered education;
- ▶ budgeting procedures include all course costs and revenues to identify potential course losses in advance, and course selection and management are in accordance with CSU policies and state regulations;
- ▶ the CSU additional employment policy regarding the faculty selection process is complied with, faculty payments are made in accordance with CSU directives, and written agreements stipulate set fees when independent contractors are used as instructors;
- ▶ enrollment procedures and maintenance of student records adequately meet accounting, academic and informational needs;
- ▶ cash receipts, refunds, dishonored checks and other debts are adequately controlled and properly accounted for;
- ▶ cash disbursements are adequately controlled and made solely for the support and development of self-supporting CSU programs;
- ▶ the general fund is reimbursed for all supplies, services and overhead expenses related to extended education programs; and
- ▶ continuing education activity is accurately reported and the CERF contingency reserve balance is maintained in compliance with CSU directives.

SCOPE AND METHODOLOGY

This review emphasized but was not limited to compliance with state laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters and directives.

The analyses and recommendations outlined by the CSU Task Force Report on Continuing Education, dated December 16, 1996, was used to evaluate the documentation of business activities between the campus and such non-state auxiliary organizations as the foundation.

A key issue for this review involves compliance with California Education Code § 89704, State University Continuing Education Revenue Fund (CERF), which states in part "... revenues received by the Trustees of the California State University from extension programs, special sessions, and other self-supporting instructional programs, including but not limited to, fees and charges required by the trustees, shall be transmitted to the Treasurer and shall be deposited by that officer in the State Treasury to the credit of the State University Continuing Education Revenue Fund ..."

June 1997 to date was the primary period of review.

Our focus involved a wide variety of issues dealing with CERF operations as a self-supporting entity. Specifically, we reviewed and tested:

- ▶ use of the foundation for the administration and management of Continuing Education programs;
- ▶ budgeting procedures, fee authorization, and the selection and management of courses including technology delivered distance education;
- ▶ management of faculty workload and payments to faculty and other instructors;
- ▶ enrollment procedures and maintenance of student records;
- ▶ procedures for controlling and processing cash receipts, refunds, dishonored checks, and other debts;
- ▶ procedures for controlling and processing cash disbursements, reimbursements to the general fund and revenues shared with academic departments; and
- ▶ reporting of continuing education activity and the maintenance of the CERF contingency reserve.

BACKGROUND

In response to the systemwide risk assessment conducted during 1996, which included input from officers representing the chancellor's office and each CSU campus, this review of Continuing Education was directed by the Board of Trustees at its January 1998 meeting. Continuing Education was previously audited in 1984.

In March 1996, the Bureau of State Audits issued a report of the Continuing Education program at one of the CSU campuses. This report raised a number of issues that have systemwide policy implications. The primary audit findings addressed operational relationships between the campus and its foundation and various non-compliance issues with CSU policy. A CSU task force was subsequently established in May 1996 to review the audit findings and policies and statutes impacting the Continuing Education program. In February 1997, the Senior Vice Chancellor, Business and Finance, issued the "CSU Task Force Report on Continuing Education" to all campus presidents.

In addition, the CSU Commission on the Extended University hired a consultant to clarify the implications of the March 1996 State Bureau of Audit report on continuing education. In September 1997, the consultant issued a report titled "Managing Continuing Education Fiscal Accounts" to the members of the commission. The consultant's report was subsequently distributed to the various CSU EE/CE Deans and Directors by the State University Dean of Extended Education.

Some CSU campuses refer to the Continuing Education program as Extended Education or other similar titles. Throughout this report, we will refer to the program as continuing education. At California State University, Stanislaus, the University Extended Education (UEE) Office manages the Continuing Education program.

OPINION

We visited the California State University, Stanislaus campus from April 20, 1998, through June 5, 1998, and audited the procedures in effect at that time.

We found that, with the exception of the items noted in the Executive Summary and in the details of the report, compliance with state, CSU and campus policies and procedures was satisfactory.

The objective of this report is to identify and mitigate issues that affect the administration of Continuing Education programs and CERF operations. If such issues are not corrected, the effectiveness of policies and procedures may be negatively impacted.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION

FISCAL SERVICES [7]

The University Extended Education (UEE) office utilized the CSU Stanislaus Foundation to provide fiscal services for various programs without having proper written authority. Maintaining continuing education monies in the continuing education revenue fund (CERF) and ensuring that written agreements fully define the services authorized between UEE and the CSUS Foundation reduces the risk of inappropriate management of state funds.

ACADEMIC DEPARTMENTS [8]

Campus procedures did not include a formalized review process to determine which academic department sponsored activities, such as conferences, workshops, etc., should be managed by University Extended Education (UEE) and operated through the continuing education revenue fund (CERF). Establishing a formalized review process for academic activities helps to ensure that they are placed under appropriate management.

AUXILIARY LEASE AGREEMENT [9]

A lease agreement had not been executed between the CSUS Student Union and University Extended Education (UEE) for space occupied by the UEE American Language & Culture Program (ALCP). The risk of misunderstandings between contracting parties is reduced when leasing arrangements are reflected in written agreements.

POLICY AND PROCEDURES MANUAL [10]

University Extended Education (UEE) had not fully developed a policies and procedures manual to communicate control requirements to all UEE personnel. Internal controls are strengthened when policies and procedures are documented and communicated to employees.

EXPENDITURES [10]

Continuing education revenue fund (CERF) monies were not always used for self-supporting instructional programs and properly approved. Adequately controlling CERF transfers and disbursements reduces the risk of inappropriate expenditures.

REVENUE DISTRIBUTION AND RETAINED EARNINGS

GENERAL FUND REIMBURSEMENT [12]

General fund reimbursements for support services provided by campus administrative and academic departments to University Extended Education (UEE) were not properly documented. Documenting general fund reimbursement procedures helps to ensure that the general fund is fully reimbursed for costs associated with continuing education.

REVENUE SHARING [14]

Revenue sharing rates to academic schools were not properly documented. Proper documentation of revenue sharing rates reduces the risk of inappropriate revenue allocations.

PROGRAM DEVELOPMENT ACCOUNTS [15]

Program development accounts established within the continuing education revenue fund (CERF) were not always used for self-supporting instructional programs. Establishing adequate controls over program development accounts reduces the risk of inappropriate expenditures.

COURSE SELECTION AND MANAGEMENT [17]

University Extended Education (UEE) did not have formalized procedures for either accepting or canceling courses for which losses are projected. Documenting the benefits of offering a course at a financial loss helps to ensure that the overall program remains self-supporting.

FEE SETTING, COLLECTION AND RECONCILIATION [18]

CASH RECEIPTS [18]

University Extended Education (UEE) did not submit all cash receipts to central cashiering in a timely manner. Ensuring that cash receipts are deposited timely reduces campus exposure to loss from inappropriate acts.

FEE APPROVAL [18]

Tuition fees for University Extended Education (UEE) non-credit extension courses had not been properly approved. Internal control over tuition fees is strengthened when changes in the fee structure are supported by appropriate written approval.

ENROLLMENT AND STUDENT RECORDS [19]

A non-discrimination statement and information regarding the disabled students services office were not included in the 1997/98 Fall Harvest catalog. Including the required statements in all catalogs ensures compliance with federal regulations and provides disabled students appropriate information regarding assistance.

CERF REPORTING [20]

Periodic status reports for the continuing education revenue fund (CERF) were not prepared for the 1997 calendar year. When status reports are prepared and submitted, this increases the ability for Chancellor's Office (CO) staff to provide oversight for the CSU continuing education program.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION

FISCAL SERVICES

The University Extended Education (UEE) office utilized the CSU Stanislaus Foundation to provide fiscal services for various programs without having proper written authority. We found that:

- ▶ To facilitate the payment of certain program expenses, revenue from the American Language & Culture Program (ALCP) was appropriately deposited in the continuing education revenue fund (CERF) but subsequently transferred to a UEE account maintained in the foundation. As of March 31, 1998, the balance in this account totaled \$26,083.
- ▶ As of March 31, 1998, UEE maintained accounts at the foundation for teleconferences and non-credit programs. The accounts were inactive and had small balances totaling \$657.
- ▶ There was no written agreement between UEE and the CSUS Foundation that fully defined foundation services and corresponding fees.

Education Code §89704 states that revenues received from extension programs, special session, and other self-supporting instructional programs shall be deposited to the CERF.

The CSU Task Force Report on Continuing Education states that the campus should not use its auxiliary as a bank. Pursuant to Title 5 §42500, an auxiliary may administer workshops, conferences, institutes, and instructionally related programs. However, any such services required from an auxiliary should be properly documented in a contract.

The UEE dean stated that the services of the foundation were only for fiscal administration of the programs. She indicated that she was not aware of the teleconferences and non-credit program accounts but affirmed that all foundation accounts would be closed and moved to the CERF.

Maintaining continuing education funds in the foundation without having written agreements that clearly define the services to be provided by the foundation increases the risk of inappropriate expenditures of state funds and loss of interest and other revenues that are based on foundation administrative overhead charges.

Recommendation 1

We recommend that the campus:

- a. transfer balances from the ALCP, teleconferences and UEE non-credit programs accounts to the CERF; and

- b. establish a written agreement between UEE and the CSUS Foundation, should any future foundation services be required.

Campus Response

The corrective action on this recommendation has been completed University Extended Education Foundation accounts were closed and the transfer of funds to CERF was completed October 1, 1998. In the future, we will establish written agreements should foundation services be required.

ACADEMIC DEPARTMENTS

Campus procedures did not include a formalized review process to determine which academic department sponsored activities, such as conferences, workshops, etc., should be managed by University Extended Education (UEE) and operated through the continuing education revenue fund (CERF).

For example, the School of Business offered a number of self-supporting programs, conferences and workshops through its Center for Management Development. The center has not operated courses for approximately one year but maintains several accounts at the CSUS Foundation. As of March 31, 1998, balances in these accounts totaled \$110,068. In addition, the Institute of International Studies offered self-supporting workshops and conferences and maintained a CSUS foundation account. As of March 31, 1998, the account balance was \$7,677.

Education Code §89704 requires that revenues from CSU extension programs, special sessions, and other self-supporting instructional programs be deposited in the CERF.

The December 1996 CSU Task Force Report on Continuing Education recommends that ownership of a given program be clearly defined. If it is a campus-owned program, funds must be deposited in the CERF. Any services provided by an auxiliary should be properly documented in a contract.

SAM §20003 states that one of the elements of a satisfactory system of internal accounting and administrative control shall include an effective system of internal review.

The UEE dean stated that she knew of one school (the School of Business) offering continuing education type programs but was not aware of all workshops, conferences, etc. offered by academic departments.

Not establishing a formalized review process for academic department sponsored workshops, conferences, etc. increases the risk of the activities being improperly managed.

Recommendation 2

We recommend that the campus:

- a. establish procedures to ensure that all academic department sponsored activities, such as workshops, conferences, etc., are appropriately managed through CERF;
- b. analyze all academic department accounts maintained at the foundation and transfer balances generated from continuing education activities to the CERF; and
- c. deposit and retain all future revenue from self-supporting instructional programs directly into the CERF.

Campus Response

Corrective action on this recommendation is in progress. Efforts are underway to identify continuing education/self-support instructional programs currently managed by individual departments within the Schools and College through a campus-wide survey. We will analyze the appropriateness of using the CERF, state trust accounts under the authority provided by AB2812, and CSU Stanislaus Foundation to implement the intent of this recommendation. A plan will be developed for each program to determine the appropriate disposition. This will be completed by close of FY 98/99.

AUXILIARY LEASE AGREEMENT

A lease agreement had not been executed between the CSUS Student Union and University Extended Education (UEE) for space occupied by the UEE American Language & Culture Program (ALCP).

The ALCP moved into space in the student union in July 1996. No lease payments have been made.

Title 5 §42501 states that a written agreement between the CSU and the auxiliary is required for the performance of any function listed in Title 5 §42500.

The director of purchasing stated that the lease agreement had been sent to the student union on several occasions but was never returned. She indicated that purchasing recently received a copy to be signed.

Failure to execute and maintain written agreements can result in misunderstandings between the UEE and auxiliary management.

Subsequent to the end of our fieldwork the campus provided us with documentation evidencing the execution of the lease agreement and payment to the university union.

POLICY AND PROCEDURES MANUAL

University Extended Education (UEE) had not fully developed a policies and procedures manual to communicate control requirements to all UEE personnel.

SAM §20003 states that the nonexistence of policy and procedural or operational manuals is a danger signal of a vulnerable control system.

The UEE dean indicated that she was aware of the lack of a policy and procedures manual and was in the process of developing and updating policies in addition to documenting the job functions of each position.

Internal controls can be compromised if they are not properly documented and communicated to campus employees.

Recommendation 3

We recommend that UEE establish and disseminate written policies and procedures to all UEE personnel.

Campus Response

Corrective action on this recommendation is in progress. UEE has completed development of a policies and procedures manual for the management of non-credit courses, CEU programs and certificates, and extension credit classes. This was distributed in mid-August to all UEE staff and faculty teaching Fall 1998 classes. Currently, UEE is developing a handbook on policies and procedures for UEE registration processes, including course creation, student registration and receipt of payment, cash management procedures, grade input, and student reporting. We expect to complete this new policy manual by February 1, 1999. Written procedures for summer sessions, Open University and other special sessions administration will be completed by April 30, 1999.

EXPENDITURES

Continuing education revenue fund (CERF) monies were not always used for self-supporting instructional programs and properly approved. We noted that:

- ◆ \$94,352 was transferred from the CERF for CSUS Western Association of Schools and Colleges (WASC) accreditation, which represented 46% of total campus WASC accreditation expenses. Based on the level of University Extended Education (UEE) activities, this appears to be excessive.

- ◆ Disbursements included \$42,953 for a Leica microscope for the biology department and \$10,167 for a spectrometer for the chemistry department. These expenditures do not benefit self-supporting instructional programs.
- ◆ The approval of thirteen expenditures totaling \$62,700 could not be substantiated with authorized approval documentation.

Budget principle #5 of the CSUS University Extended Education Budget Principles, dated September 4, 1997, delegates responsibility for the internal allocation of CERF funds from the campus president to the vice president of academic affairs (VPAA).

Education Code §89704 states that all revenues received from extension programs, special sessions, and other self-supporting instructional programs are appropriated for the support and development of self-supporting instructional programs of the CSU.

CSU directive BA 91-13, *Revised Policy on the Management of the Continuing Education Revenue Fund*, dated August 7, 1991, includes specific criteria for the expenditure of CERF monies. This directive states that funds used to support a project that will benefit both continuing education and state support program students must have continuing education benefits commensurate with the level of CERF expenditures.

SAM §20003 states that a good system of internal control includes a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The VPAA stated that the \$42,953 paid for the biology microscope was to be reimbursed to the CERF, and the funds used for WASC accreditation were appropriate because UEE would benefit from the campus accreditation process.

The UEE dean indicated that since she was new to the campus, she was reviewing the UEE CERF disbursements to determine how funds were being utilized. She further stated that she has no authority for the CERF as outlined in the CSUS University Extended Education Budget Principles. According to the UEE dean, the explanation given since she was not on campus at the time was that the \$10,167 was not supposed to be expensed since CERF funds were only being encumbered until the appropriate funding from other sources was made available.

The assistant to the Controller indicated that the authorization delegation documents were destroyed when the new authorization documents were received.

Not establishing adequate controls over CERF monies increases the risk of inappropriate and unauthorized expenditures.

Recommendation 4

We recommend that that campus:

- a. strengthen procedures to ensure that expenditures of CERF monies are properly authorized, for appropriate purposes, and promptly recorded in UEE records; and
- b. reimburse the CERF for the excessive accreditation expenses, biology microscope and chemistry spectrometer.

Campus Response

We will assure that authorization approvals and written documentation that identify accounts and their purposes are on file in the business office by the close of FY 98/99. An analysis of the appropriate level of contribution by the CERF to the cost of the chemistry spectrometer and the accreditation process will be undertaken and the amount (if any) that is in excess of this level of funding will be reimbursed to the CERF. The expenditures from the CERF for the Leica microscope for the biology department will be reimbursed to the CERF by the close of 98/99. A plan to determine the appropriate level of contribution and reimbursement will be completed by close of FY 98/99.

REVENUE DISTRIBUTION AND RETAINED EARNINGS

GENERAL FUND REIMBURSEMENT

General fund reimbursements for support services provided by campus administrative and academic departments to University Extended Education (UEE) were not properly documented. We noted that:

- General fund reimbursement for campus administrative services is provided to the campus finance office for position support via an allocation of 5% of UEE revenue. Total reimbursement meets CSU directive requirements. However, there was no written agreement between the campus and UEE containing the basis and rationale for the valuation of services.
- General fund reimbursement for summer session is provided via an allocation of 5% of summer session revenue to the general fund, 5% to the colleges, and an allocation to the Office of Information Technology (OIT). Over the next three years, \$8,000 for a part-time librarian and \$24,000 for student assistants will be phased into the reimbursement process. After these additions, total reimbursement will meet CSU directive requirements. However, there was no written agreement between the campus and UEE containing the basis and rationale for the valuation of services to support the 5% summer session general fund reimbursement.
- UEE allocates 8% to 11% of concurrent enrollment revenue to the campus business office. However, there was no documentation to support the allocation method used.

CSU memo BP 67-73, *Reimbursement for State Services Rendered Extension Program Activities*, dated November 28, 1967, attached schedule and SUAM §1508.02.04 state that 4% of total extension program revenues should be reimbursed to the general fund for support services. Support services include accounting, personnel, cashiering, budgeting, payroll, purchasing, the records area of admissions and records, and administrative computing support.

CSU memo BA 73-13, *Support Services in Summer Session Budget*, dated April 13, 1973, and SUAM §1508.02.03 state that, depending on the amount of revenues generated, 8% to 12% of summer session revenue should be reimbursed to the general fund for support services. Based on CSUS summer session revenue, a minimum of 12% of revenue should be reimbursed to the general fund. Support services include all personal services, operating expenses, and equipment included in academic support, student services, and institutional support, and all personal services for administration at the department and school level.

Executive Order No. 298, *Regulations Governing Extension Student Enrollment in Regular Session Offerings*, dated August 1, 1998, states that the allocation of concurrent enrollment revenue shall be determined by the campus president following consultation with appropriate faculty representatives.

Policy attachment item 4 of CSU memo BA 83-30, *Policy on Chargeable Services to Self-Supporting Operations*, dated December 28, 1983, states that funds provided from the general fund may be used to provide support for continuing education if there is recovery of the cost of such support. In the absence of specific CSU policy, recovery for the cost of support shall include the incremental costs of providing the support. If trade-offs are appropriate, they shall be clearly documented, valued in accordance with supportable cost studies, and otherwise not in conflict with state, system or campus regulations. Consensus should be reached between service provider and recipient as to the service levels and method of calculation. Support provided shall be in accordance with appropriate written agreements that include the basis and rationale for the valuation. The agreements should be on file in the campus business office and available for audit.

The UEE dean indicated that there were no agreements to her knowledge outlining the basis for general fund reimbursement. The UEE dean agreed that some form of documented agreement to support the rates would be appropriate.

Not documenting general fund reimbursement procedures could result in the general fund not being fully compensated for support provided to continuing education and reduce the working capital available to the campus.

Recommendation 5

We recommend that the campus:

- a. determine the amount of services provided to UEE by each campus service area provider, taking into consideration any specific CSU policy;
- b. prepare appropriate written agreements containing the basis and rationale for the valuation of services, and
- c. maintain the written agreements on file in the campus business office.

Campus Response

Using the Continuing Education Notes to the Business Plan Fiscal Year 1997/98, in which program revenue sharing percentages were approved by the President, and the memo on Revenue Sharing as outlined in the CERF Principles Document dated September 24, 1997, written agreements will be developed to define the general fund reimbursement program for the campus and UEE. These agreements will be kept on file in the campus business office. This corrective action will be completed by close of FY 98/99.

REVENUE SHARING

Revenue sharing rates to academic schools were not properly documented.

University Extended Education (UEE) shares various percentages of revenue with corresponding colleges or academic departments for numerous special programs. Although the rates are approved via the annual budgeting process, there were no written agreements between the service providers and UEE containing the basis and rationale for the allocations.

CSU policy does not address reimbursements to academic departments for costs incurred in support of UEE programs. However, it does so for summer session programs.

CSU memo BA 83-30, *Policy on Chargeable Services to Self-Supporting Operations*, dated December 28, 1983, states that funds provided from the general fund may be used to provide support for continuing education if there is a recovery of the cost of such support. In the absence of a specific CSU policy, recovery for the cost of support shall include the incremental costs of providing the support. Consensus should be reached between service provider and recipient as to the service levels and method of calculation. Support provided shall be in accordance with appropriate written agreements that include the basis and rationale for the valuation. The agreements should be on file in the campus business office and available for audit.

The UEE dean stated that academic school revenue sharing is outlined in the operating budget. However, there are no formal agreements with these academic schools to support the rate of revenue sharing. Programs conducted individually with some academic departments are outlined in the course proposal sheets and allocations of revenue sharing are documented on a case-by-case basis. The UEE dean agreed that some form of documented agreement to support the rates would be appropriate.

Not documenting academic school revenue sharing procedures could result in academic departments not being fully compensated for costs incurred in support of UEE programs.

Recommendation 6

We recommend that the campus:

- a. establish formalized procedures for determining academic school and other program revenue sharing rates;
- b. prepare appropriate written agreements containing the basis and rationale for the valuation; and
- c. maintain the written agreements on file in the campus business office.

Campus Response

Using existing policy governing revenue sharing as outlined in the Continuing Education Notes to the Business Plan Fiscal Year 1997/98, in which program revenue sharing percentages were approved by the President, and the memo on Revenue Sharing as Outlined in the CERF Principles Document dated September 24, 1997, written agreements will be developed to define the revenue sharing procedures for academic school and other programs and UEE. These agreements will be kept on file in the campus business office. This will be completed by close of FY 98/99.

PROGRAM DEVELOPMENT ACCOUNTS

Program development accounts established within the continuing education revenue fund (CERF) were not always used for self-supporting instructional programs. We noted the following:

- Electronic Media Instruction - The account is administered by the associate vice president of academic affairs (AVPAA) and totaled \$13,957 as of April 14, 1998. Disbursements included \$6,039 for office furniture and computer equipment for a department secretary who assisted with WASC accreditation efforts. However, there was no documentation to support that the expenditures were commensurate with the amount of time spent on the WASC accreditation proposal.

- ▶ Research and Development - The account is administered by the vice president of academic affairs (VPAA) and totaled \$10,522 as of April 14, 1998. Disbursements included \$29,687 for WASC accreditation and \$17,328 in other expenses not related to the development of extension programs.
- ▶ Multi Campus Regional Center (MCRC) – The account is administered by the VPAA and totaled \$33,000 as of April 14, 1998. At the time the account was established, University Extended Education (UEE) was to have been allocated space at the MCRC. However, current plans do not allocate space to UEE.

Education Code §89704 states that all revenues received from extension programs, special sessions, and other self-supporting instructional programs are appropriated for the support and development of self-supporting instructional programs of the CSU.

CSU directive BA 91-13 *Revised Policy on the Management of the Continuing Education Revenue Fund*, dated August 7, 1991, includes specific criteria for the expenditure of CERF monies. This directive states that funds used to support a project that benefits both continuing education and state support program students must have continuing education benefits commensurate with the level of CERF expenditures.

The VPAA stated that the MCRC and research and development accounts were for the support of UEE programs. However, the UEE dean stated that UEE had not been allocated any space at the MCRC. The AVPAA indicated that the electronic media instruction account was for the support of UEE programs and the funds covered administrative costs for Western Association of Schools and Colleges (WASC) accreditation, including substantive change proposals related to UEE delivery of electronic instruction.

Not establishing adequate controls over program development accounts increases the risk of inappropriate expenditures.

Recommendation 7

We recommend that the campus:

- a. strengthen procedures to ensure that program development accounts are fully defined and support continuing education programs, and expenditures are adequately supported and appropriate to the nature of the account;
- b. reimburse the CERF for the WASC and other non-related continuing education disbursements from the research and development account; and
- c. close the MCRC program account.

Campus Response

Written documentation defining program development accounts and expenditures that are appropriate to those accounts will be developed and kept on file in the campus business office by the close of FY 98/99. As stated in Recommendation 4b, an analysis of the appropriate level of contributions to WASC and other projects will be undertaken and the amount (if any) in excess of this level of funding will be reimbursed to CERF.

Corrective action for 7c has been completed, effective December 4, 1998. The MCRC account was closed and account balance was transferred to the building maintenance and equipment reserve account. Which was established for the purpose of augmenting instruction through the use of educational technologies and distance learning. Discussions are underway to identify office space for UEE personnel at the MCRC to provide student services and instructional support for the administration of UEE programs in Stockton.

COURSE SELECTION AND MANAGEMENT

University Extended Education (UEE) did not have formalized procedures for either accepting or canceling courses for which losses are projected.

The December 1996 CSU Task Force Report on Continuing Education recommended that, if a specific course is not self-supporting, the benefits of offering a course at a financial loss should be documented.

Education Code §89708 requires special sessions and other instructional programs to be self-supporting.

The UEE dean stated that there were no formalized documentation requirements or documentation of decisions regarding offering courses at a financial loss. However, the course cancellation method is outlined in contracts for non-credit programs and regular extension instructors. She further stated that she is the only individual authorized to cancel a course.

Not documenting the benefits of offering a course at a financial loss may have an impact on whether a program is self-supporting. Lack of such documentation increases the risk that a course that should be cancelled is not.

Recommendation 8

We recommend that the campus properly document the justification for offering a course at a financial loss.

Campus Response

UEE will document the justification for offering a course or program at a financial loss by close of FY 98-99.

FEE SETTING, COLLECTION AND RECONCILIATION

CASH RECEIPTS

University Extended Education (UEE) did not submit all cash receipts to central cashiering in a timely manner.

Checks were retained in the UEE office for two months or more before transfer to the central cashier.

SAM §8030.1 requires that accumulated collections of \$50 or more be deposited within five working days and no collection will remain undeposited for more than fifteen working days.

The UEE financial analyst indicated that she holds deposits until several registrations are received, as it is cumbersome to complete the process each time a few registrations are received.

Delays in transferring cash receipts to central cashiering increases the risk of uncollectible checks and the misappropriation of funds.

Recommendation 9

We recommend that the campus improve UEE cashiering procedures to ensure that all cash collections are deposited timely.

Campus Response

This corrective action has been completed. UEE has established a new policy on registration and cashiering, effective September 1998. All student registrations go to a central location in UEE where they are input into Banner. The payments are coded, taken over to cashiers daily, and hand delivered to one of the cashiers. This new procedure requires a 48 hour turn-around on all payments entering the Extension office.

FEE APPROVAL

Tuition fees for University Extended Education (UEE) non-credit extension courses had not been properly approved.

Executive Order No. 661, *Fees, Rates, and Charges*, dated August 23, 1996, delegates the authority to approve adjustments in campus user fees to the campus president.

The UEE dean indicated that these fees were set based upon market analysis and budgeting and she was not aware of any documentation from the President's office granting UEE authority to set these fees.

Internal controls over tuition fees are compromised when changes in the fee structure are not supported by appropriate written approval.

Recommendation 10

We recommend that the campus strengthen existing procedures to ensure that fee changes are properly supported in writing.

Campus Response

Authority to set non credit extension course fees will be delegated in writing by the University President to the Dean, University Extended Education. This corrective action will be completed December 31, 1998.

ENROLLMENT AND STUDENT RECORDS

A non-discrimination statement and information regarding the disabled students services office were not included in the 1997/98 Fall Harvest catalog.

CSU memo EE 81-25/SA 81-46, *Disabled Persons Enrolled in Summer Session, Special Session, and Extension Programs*, dated August 6, 1981, states that all extension program bulletins should contain a non-discrimination statement as required by federal regulations. All applications and registration forms should contain contact information for the disabled student services office.

Because registration forms are part of the program catalog, information regarding services for disabled students is included within the extension program catalog rather than on the registration forms.

The UEE dean indicated that she became aware of the absence of the statements and that future catalogs will include the required statements. The UEE temporary marketing specialist stated that she was not aware of the requirements.

Failure to include the disclosures increases the risk of non-compliance with federal regulations and hinders disabled students in obtaining required assistance.

Recommendation 11

We recommend that the campus ensure that a non-discrimination statement and information regarding the disabled student services office are included in all UEE catalogs.

Campus Response

This corrective action has been completed. A statement about non-discrimination and information regarding disabled student services were added to the Fall University Extension Catalog, Published and distributed August 1998. These statements will be included in all future publications.

CERF REPORTING

Periodic status reports for the continuing education revenue fund (CERF) were not prepared for the 1997 calendar year.

CSU memo AA 93-15, *Quarterly Reporting in the Continuing Education Program*, dated November 18, 1993, consolidates the quarterly financial reporting requirement into a biannual summary, issued on September 30 and March 31 of each year.

The Controller indicated that due to transitions in management personnel, the reports did not get filed.

Not completing required reports compromises the Chancellor's Office oversight of the CSU continuing education program.

Recommendation 12

We recommend that the campus strengthen procedures to ensure that all continuing education reporting requirements are met.

Campus Response

This corrective action has been completed. University Extended Education has established a master calendar for communicating reporting requirements to appropriate departments on campus.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Marvalene Hughes	President
Kitty Alves	Account Technician
Renee Anderson	Accounting Technician
Edward Aubert	Director, Admission and Records
Renee Anderson	Accounting Technician
Shelley Bartenstein	Dean, University Extended Education
Julie Benevedes	Accountant
Wanda Bonnell	UEE Clerical Assistant
Carol Castillo	Director, Purchasing/Property Control
Richard Curry	Vice President, Academic Affairs
Rhonda Crawford	Associate Budget Analyst
Jouliet David	UEE Clerical Assistant
Virginia Davis	Controller, CSUS Foundation
Monica Della Maggiore	UEE Marketing Specialist
Frances Davenport	UEE Program Coordinator
Diana Demetrulias	Associate Vice President, Academic Affairs
Trish Hendrix	Accounting Technician
Dosie Lewis	Account Technician Cashiering
Gordon Patzer	Dean, School of Business
Becka Paulsen	University Controller
Jim Phillips	Director, Student Financial Services
Jodi Pope	Assistant to the Controller
Lynette Richmond	UEE Financial Analyst
Penny Rutishauser	Registration Coordinator
Gary Toombs	Executive Director, CSUS Foundation
Alison Wolz	Assistant Controller, CSUS Foundation