

CONTINUING EDUCATION
CALIFORNIA STATE UNIVERSITY,
LONG BEACH

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ABBREVIATIONS

AIPS	American Institute for Philanthropic Studies
ALI	American Language Institute
CE	Continuing Education
CERF	Continuing Education Revenue Fund
CSPG	Certified Specialist in Planned Giving
CSU	California State University
CSULB	California State University, Long Beach
EE	Extended Education
EO	Executive Order
SAM	State Administrative Manual
SUAM	State University Administrative Manual
UCES	University College and Extension Services

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 ensure that 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 our 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 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, Long Beach, the University College and Extension Services (UCES) Office manages the Continuing Education program.

OPINION

We visited the California State University, Long Beach campus from May 11, 1998, through June 15, 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 [6]

Continuing education retained earnings were being maintained in the CSU Long Beach Foundation rather than in the Continuing Education Revenue Fund (CERF) state account. Maintaining continuing education funds in state accounts prevents the loss of interest and other revenues that are based on foundation overhead charges.

PROGRAM OWNERSHIP [6]

Program ownership was not properly identified in the brochure for the Certified Specialist in Planned Giving (CSPG) program. Accurately identifying program ownership prevents misunderstandings concerning program sponsorship.

REVENUE DISTRIBUTION AND RETAINED EARNINGS

GENERAL FUND REIMBURSEMENT [7]

General fund reimbursements for support services provided by campus administrative and academic departments to University College and Extension Services (UCES) were not properly documented. Documenting general fund reimbursement procedures ensures that the general fund is fully compensated for support services provided to continuing education.

REVENUE SHARING [9]

Revenue sharing rates for special session programs were not properly documented. Proper documentation of revenue sharing rates reduces the risk of misunderstandings concerning revenue allocations.

FEE SETTING, COLLECTION AND RECONCILIATION

REVENUE RECONCILIATION [10]

University College and Extension Services (UCES) was not reconciling tuition fees received for credit extension courses to revenue recorded in the continuing education revenue fund (CERF). Reconciliation of tuition fees received to revenue recorded in the CERF ensures that all continuing education revenues are recorded in the CERF.

FEE APPROVAL [11]

Tuition fees for University College and Extension Services (UCES) 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 [12]

Information regarding the disabled students services office was not included in the University College and Extension Services (UCES) 1998 Winter Session catalog. Including information regarding the disabled students services office ensures that disabled students receive required assistance.

CERF REPORTING [13]

The periodic status report for the continuing education revenue fund (CERF) as of September 30, 1997, was not accurate. An effective internal review system reduces the risk of reporting erroneous data.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION

FISCAL SERVICES

Continuing education retained earnings were being maintained in the CSU Long Beach Foundation rather than in the Continuing Education Revenue Fund (CERF) state account.

UCES previously used the foundation to provide fiscal services for non-credit extension courses without written agreements to define program ownership. Although these programs have been transferred to the continuing education revenue fund (CERF), corresponding retained earnings continue to be maintained in the foundation. Retained earnings as of June 3, 1998, totaled \$437,000. The foundation assesses transaction fees and retains all interest earnings on these retained earnings.

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

The CSU Task Force Report on Continuing Education recommends that ownership of a given program be clearly defined. This report stated, in part, that the funds must be deposited in the CERF if it is a campus-owned program.

Maintaining continuing education funds in the foundation results in the loss of interest and other revenues that are based on foundation overhead charges.

Subsequent to the end of our fieldwork the campus provided us with documentation evidencing transfer of the retained earnings from the CSULB Foundation to the CERF.

PROGRAM OWNERSHIP

Program ownership was not properly identified in the brochure for the Certified Specialist in Planned Giving (CSPG) program.

Although UCES officially transferred ownership of the CSPG program to the foundation by executing an amendment to the license agreement between the American Institute for Philanthropic Studies (AIPS) and UCES, the program brochure indicates that the program is a UCES program.

The CSU Task Force Report on Continuing Education recommends that ownership of a given program be clearly defined. Pursuant to Title 5, 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 UCES dean stated that the brochure has been scheduled to be reprinted, and the wording will be changed to indicate that the program is sponsored by the foundation.

Failure to accurately identify program ownership can result in misunderstandings of program sponsorship.

Recommendation 1

We recommend that the campus reprint the CSPG program brochure to identify the program as sponsored by the foundation in cooperation with UCES.

Campus Response

We concur with this recommendation. The CSPG program brochure has already been reprinted to identify the proper ownership of the program. All previous versions of the collateral material have been taken out of circulation. Effective immediately, all promotional literature describing the CSPG program will be printed with the following tag line to ensure that the program's ownership is accurately reflected: "A program sponsored by the CSULB Foundation in cooperation with University College & Extension Services, California State University, Long Beach". Corrective action has been completed on this recommendation.

REVENUE DISTRIBUTION AND RETAINED EARNINGS

GENERAL FUND REIMBURSEMENT

General fund reimbursements for support services provided by campus administrative and academic departments to University College and Extension Services (UCES) were not properly documented. We noted that:

- ▶ General fund reimbursement for campus administrative support services is provided via position support, lab fee support, gratis media production services, and campus business office charges. We confirmed that the total reimbursement meets and exceeds CSU directive requirements. However, there was no written agreement between the campus and UCES containing the basis and rationale for the valuation of services.
- ▶ General fund reimbursement for summer session support services is provided via an allocation of 11% of revenue to the colleges, campus administrative position support and lab fee support. Total reimbursement meets and exceeds CSU directive requirements. However, there was no written agreement between the campus and UCES containing the basis and rationale for the valuation of services.
- ▶ General fund reimbursement for winter session is provided via an allocation of 5% of revenue to the colleges. However, there was no written agreement between the campus and UCES containing the basis and rationale for the valuation of services.

- UCES allocates 11% of concurrent enrollment revenue to the campus business office and 44.5% to the colleges. However, there was no documentation to support the allocation method being 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 the following functions: 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. 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.

CSU policy does not address general fund reimbursement for winter session support services.

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

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 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 UCES administrative services manager stated that he was not aware of CSU memo BA 83-30. The UCES dean agreed that written documentation should be available to support all allocation rates.

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

Recommendation 2

We recommend that the campus:

- a. determine the amount of services provided to UCES 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

- a. We concur with this recommendation and have already begun the process of determining the amount of services provided to UCES by each campus service area provider. Our target date for completion is February 28, 1999.
- b. We concur with this recommendation. UCES will begin negotiations immediately. The written agreements, including the basis and rationale for the valuation of services, are expected to be in place by February 28, 1999.
- c. We concur with this recommendation and will ensure that these written agreements are on file in the campus business office upon their completion.

REVENUE SHARING

Revenue sharing rates for other special session programs were not properly documented.

UCES shares revenue with corresponding colleges or academic departments for numerous other special session programs using several allocation methods. However, there were no formalized written agreements between the majority of the service providers and UCES containing the basis and rationale for the allocations.

CSU policy does not address revenue sharing to academic departments for costs incurred in support of other special session 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 UCES assistant dean stated that program cost sheets are available to support the revenue allocations for the numerous special sessions, but it has not been a UCES practice to formalize the agreed upon allocation rates with the colleges and departments. The UCES dean agreed that written documentation should be available to support all allocation rates.

Not formalizing other special session revenue sharing procedures could result in misunderstandings between academic departments and UCES.

Recommendation 3

We recommend that the campus:

- a. establish formalized procedures for determining other special session 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

- a. We concur with this recommendation. There were already informal procedures in place to determine the special session revenue sharing rates. This process is currently done by spreadsheets and verbal agreements between the parties. A written procedure will be formalized by October 31, 1998.
- b. We concur with this recommendation. Prior to the audit, methods for documenting and disseminating revenue sharing agreements did not include Memoranda of Understanding (MOUS) signed by the parties. Effective immediately, all new programs will comply with this recommendation.
- c. We concur with this recommendation and will ensure that the business office has a file of all business agreements as they are completed.

FEE SETTING, COLLECTION AND RECONCILIATION

REVENUE RECONCILIATION

University College and Extension Services (UCES) was not reconciling tuition fees received for credit extension courses to revenue recorded in the continuing education revenue fund (CERF).

During the registration and cashiering processes, UCES verifies that a payment is received for each enrollment and that payments processed by the cashier agree with payments received and processed through the main campus cashiering system. In addition, UCES reconciles revenue received per the

cashiering system to revenue recorded in the CERF for non-credit extension courses. However, a reconciliation of revenue recorded to the CERF for credit extension courses is not performed.

SAM §20003 requires a system of record keeping procedures adequate to provide effective accounting control over revenues.

The UCES administrative services manager stated that, since the campus implemented a new billing and receivables system, UCES has not been able to reconcile revenue recorded to the CERF for credit extension courses despite the fact that he asked the campus business office for assistance on several occasions. He also stated that other analyses performed by UCES show revenue amounts recorded in the CERF for credit extension courses appear to be reasonable.

When fees are not reconciled, errors or misappropriation of funds may remain undetected.

Recommendation 4

We recommend that the campus develop procedures to reconcile revenue received for credit extension courses to the revenues recorded in the CERF accounting records.

Campus Response

We concur with this recommendation. Appropriate procedures are being developed to reconcile revenue received for credit extension courses to the revenues recorded in the CERF accounting records. The process of reconciling the Billing/Receivable System (BRS) to the Financial Accounting System (FAS) is underway. Completion is targeted for December 31, 1998.

FEE APPROVAL

Tuition fees for University College and Extension Services (UCES) non-credit extension courses had not been properly approved.

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

The UCES dean stated that the campus president had verbally delegated this approval authority to him.

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

Recommendation 5

We recommend that the campus obtain a formal delegation of authority from the campus president to ensure that fee changes are properly approved.

Campus Response

We concur with this recommendation and have already addressed it. President Robert C. Maxson signed a formal written delegation of authority to Dr. Robert Behm, Dean of UCES, on August 19, 1998. A copy was provided to the auditors at the exit conference. Corrective action on this recommendation has been completed.

ENROLLMENT AND STUDENT RECORDS

Information regarding the disabled students services office was not included in the University College and Extension Services (UCES) 1998 Winter Session 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 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. However, the information was not included in the UCES 1998 Winter Session catalog

The UCES manager of marketing communications stated that she was not aware of the CSU memo and did not know why the contact information for the disabled student services office was inadvertently left out of the winter session catalog.

Failure to provide contact information regarding the disabled services office increases the risk that disabled students are not being provided appropriate assistance.

Recommendation 6

We recommend that the campus ensure that information regarding the disabled students services office is included in UCES catalogs.

Campus Response

We concur with this recommendation. The omission of information regarding the disabled student services office from the UCES winter bulletin was an oversight. UCES has included the information in the winter 1999 bulletin which has already been proofed for publication in October 1998. This information will be included in subsequent bulletins and catalogs. Corrective action on this recommendation has been completed.

CERF REPORTING

The periodic status report for the continuing education revenue fund (CERF) as of September 30, 1997, was not accurate.

The report erroneously included non-credit American Language Institute (ALI) activity in the “other special sessions” category instead of the “non-credit extension” category. Therefore, other special sessions data was overstated and non-credit extension data was understated. In addition, concurrent enrollment student credit unit data was erroneously reported on two lines resulting in an overstatement of student credit units on the total credit program line.

SAM §20003 requires an effective system of internal review.

CERF periodic reports are requested by the Chancellor’s Office Division of Extended Education on a biannual basis. The purpose of the reports is to provide the campuses and system with periodic information on the status of CERF program operations during the fiscal year. The reports are also intended to assist the campuses in program and fiscal management.

The UCES administrative services manager stated that the misclassification of the ALI non-credit activity was the result of having credit and non-credit data in one general ledger account. He further stated that this error was subsequently discovered during their quarterly financial assessment process and reported to the campus; however, a revised status report was not submitted. He was not aware of the error concerning concurrent enrollment student credit units.

The lack of an effective internal review system increases the risk of reporting erroneous data

Recommendation 7

We recommend that the campus strengthen CERF report review procedures.

Campus Response

We concur with this recommendation. UCES has added a third level of review to ensure the accuracy of these reports. The review process has been documented in a written procedure that was provided to the auditors at the exit conference. Corrective action on this recommendation has been completed.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Dr. Robert C. Maxson	President
Michele Aguirre	Registration Coordinator, UCES
Dr. Robert Behm	Dean, UCES
Gloria Carver	Assistant Vice President, Academic Affairs, CSULB
Kelly Cox	Financial Assistant, UCES
Dr. Marilyn Crego	Associate Dean, UCES
Jorge Escamilla, Jr.	Receptionist, UCES
Robert Foster	Lead Cashier, UCES
William Griffith	Vice President Administration and Finance, CSULB
Kathleen Hext	Director of Internal Auditing, CSULB
Rod Jensen	Assistant Dean, UCES
Joe Latter	Associate Vice President of Finance Management, CSULB
Kay Mascaro	Financial Assistant, UCES
Barbara Merrill	Marketing Communications Manager, UCES
Bich Ngo	Non-Credit Scheduling/Payroll Coordinator, UCES
Jeanette Norton	Director of Records and Registration, CSULB
Rellon Owen	Administrative Services Manager, UCES
Tom Owen	Credit Payroll Coordinator, UCES
Janet Parker	Budget Director, CSULB
Sandy Shereman	Director of Grants and Contracts, CSULB Foundation
Mark Smith	Program Administrator, UCES
Ray Soliman	University Controller, CSULB
Gwen Taylor	Student Account Services Supervisor, CSULB
Sandra VanderHeyden	Executive Director, CSULB Foundation
Fran Vogel	Program Administrator, UCES