

**CONTINUING EDUCATION**  
**CALIFORNIA STATE UNIVERSITY,**  
**LOS ANGELES**

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## **ABBREVIATIONS**

ACLP	American Culture and Language Program
CE	Continuing Education
CERF	Continuing Education Revenue Fund
CSU	California State University
CSULA	California State University, Los Angeles
EE	Extended Education
EO	Executive Order
ION	Institute of Nursing
SAM	State Administrative Manual
SUAM	State University Administrative Manual
UAS	University Auxiliary Services

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## INTRODUCTION

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### 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, were 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 October 1998 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, Los Angeles, the Continuing Education (CE) Office manages the Continuing Education program.

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## **OPINION**

We visited the California State University, Los Angeles from September 14, 1998, through October 16, 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 [6]**

Continuing Education (CE) and the Institute of Nursing (ION) utilized University Auxiliary Services (UAS), a campus auxiliary, to maintain continuing education funds and provide fiscal services without proper written authority. Maintaining continuing education funds in the Continuing Education Revenue Fund (CERF) and ensuring that written agreements clearly define the services to be provided and program ownership reduces the risk of inappropriate management of state funds.

### **REVENUE DISTRIBUTION AND RETAINED EARNINGS [7]**

Management of the continuing education program was in need of improvement. Establishing adequate controls over the Continuing Education (CE) budget, revenues and expenses reduces the risk of inadequate CERF contingency reserves and future operating losses.

### **TECHNOLOGY DELIVERED DISTANCE EDUCATION [8]**

The CERF was not reimbursed for costs incurred to provide distance education to matriculated students. Reimbursing the CERF for such costs helps to ensure the financial stability of the self-supporting continuing education program.

### **COURSE SELECTION AND MANAGEMENT [9]**

Continuing Education (CE) did not have formalized procedures for either accepting or canceling courses for which losses were projected. Establishing procedures to evaluate the program's financial success and documenting the benefits of offering a course at a financial loss helps to ensure that the overall program remains self-supporting.

### **ENROLLMENT AND STUDENT RECORDS [9]**

#### **FEE RECONCILIATION [9]**

Continuing education fees for non-credit courses were not being reconciled to enrollments. Reconciling continuing education fees to enrollments reduces the risk of errors or misappropriation of fees going undetected.

### **DISABLED STUDENT SERVICES OFFICE [10]**

Information regarding the disabled students services office was not included on CE application and/or registration forms or in quarterly course bulletins. Including a statement about the disabled student services office provides disabled students with information regarding required assistance.

### **FACULTY/INSTRUCTOR SELECTION AND SALARIES [11]**

Campus procedures did not include a formalized review process to include CE courses in the determination of compliance with the CSU additional employment policy. Adequately monitoring faculty workload helps to ensure compliance with the CSU additional employment policy.

### **FEE SETTING, COLLECTION AND RECONCILIATION [12]**

CE fee increases were not submitted to the campus fee advisory committee. Submitting proposed fee increases to the fee advisory committee ensures appropriate consultation and compliance with the CSU campus fee policy.

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## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

### CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION

Continuing Education (CE) and the Institute of Nursing (ION) utilized University Auxiliary Services (UAS), a campus auxiliary, to maintain continuing education funds and provide fiscal services without proper written authority. We noted that:

- ▶ As of June 30, 1998, CE maintained two agency accounts at UAS with balances totaling \$2,168. One account has been inactive since 1993, and the other account received updated signatory instructions in May 1998.
- ▶ The ION used UAS to provide fiscal services for non-credit courses, workshops and conferences. As of June 30, 1998, the ION had funds totaling \$49,677 at the UAS.

There were no written agreements between CE or the ION and the UAS that defined the services to be performed, corresponding fees, and program sponsorship for these accounts.

Education Code §89704 states that revenues from CSU extension programs, special sessions, and other self-supporting instructional programs may be deposited in the CERF. Prior to January 1, 1999, such revenues were required to be deposited in the CERF.

Education Code §89721 states that, effective January 1, 1999, notwithstanding any other provision of law to the contrary, fees for extension programs, special sessions, and other self-supporting instructional programs shall be deposited into and maintained in local trust accounts or in trust accounts in accordance with Sections 16305 to 16305.7 of the Government Code, or in the California State University Trust Fund.

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. The campus should not use its auxiliary as a bank. 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 acting CE dean stated that he was unaware of the existence of the two CE agency accounts at UAS. The ION director stated that she was unaware of the necessity to have a written agreement with UAS prior to depositing non-credit course revenue into an agency account. Prior to the conclusion of this review, we were provided with documentation indicating that the two CE agency accounts would be closed and the funds transferred to the CERF.

Maintaining continuing education funds in an auxiliary organization without having a written agreement that clearly defines both the services to be provided and program ownership increases the risk of inappropriate expenditures of state funds.

#### **Recommendation 1**

We recommend that the campus:

- a. transfer balances from the CE and ION UAS agency accounts to the CERF; and
- b. establish a written agreement between the ION and UAS for any services required in the future.

**Campus Response**

Concur and implemented. All ION/UAS agency accounts have been closed and their balances transferred to the CERF.

**REVENUE DISTRIBUTION AND RETAINED EARNINGS**

Management of the continuing education program was in need of improvement.

Continuing Education (CE) incurred an operating loss of \$250,351 during FY 1997/98. The following CE program areas incurred losses:

<u>Program Area</u>	<u>Amount of Loss</u>
Distance Learning	\$184,179
American Culture and Language	115,580
Extension	173,793
Special Session	<u>66,624</u>
Total	<u>\$540,176</u>

Executive Order No. 313, *Financial Management of Continuing Education*, dated August 1, 1979, states that each campus president is responsible for the financial and academic aspects of the self-supporting instructional programs operated by the campus through the Continuing Education Revenue Fund. It is the primary responsibility of the campus to monitor enrollments, revenues, and expenditures during any given fiscal year to assure the fiscal stability of its self-supporting instructional program. Budget changes should be initiated as necessary to assure this fiscal stability.

The acting CE dean stated that a number of factors contributed to the loss, including inadequate monitoring of program revenues and expenditures and the financial crisis in Asia, which impacted enrollments in the American Culture and Language Program (ACLP).

Inadequate controls over program revenues and expenditures increase the risk of future operating losses, and depletion of contingency reserves.

## **Recommendation 2**

We recommend that the campus strengthen procedures to monitor the CE budget and revenues and expenditures to ensure the fiscal stability of its self-supporting instructional programs and adequacy of the CERF contingency reserve.

### **Campus Response**

Concur and implemented. Procedures are in place whereby CE's Director of Finance and Administration continuously monitors the budget, and prepares detailed statements each month comparing actual revenues and expenses for each program to budgeted amounts.

## **TECHNOLOGY DELIVERED DISTANCE EDUCATION**

The CERF was not reimbursed for costs incurred to provide distance education to matriculated students.

CSULA offers a Bachelor of Science degree in Fire Science to matriculated students via distance education. This includes the use of wireless cable channels to deliver instruction to local fire stations. However, the CERF pays for the cost of administering this program, with no reimbursement from the General Fund.

CSU memo BA 83-30, *Policy on Chargeable Services to Self-Supporting Operations*, dated December 28, 1983, states that auxiliary operations shall be entitled to receive reimbursements for the cost of support provided to General Fund operations.

Education Code §89761 requires CSU to adhere to Generally Accepted Accounting Principles (GAAP) which requires a proper matching of revenues to expenses.

The acting CE dean and the director of distance learning stated that it has been a campus practice for many years to retain, in the general fund, all revenue associated with matriculated students who participate in the distance learning program.

Failure to reimburse the CERF for costs incurred on behalf of the general fund jeopardizes the financial stability of the continuing education self-supporting program.

## **Recommendation 3**

We recommend that the campus establish procedures to reimburse the CERF for costs incurred to provide distance education to matriculated students.

### **Campus Response**

Concur. Procedures to charge academic departments for distance learning costs have been drafted and will be finalized and implemented by March 31, 1999.

## **COURSE SELECTION AND MANAGEMENT**

Continuing Education (CE) did not have formalized procedures for either accepting or canceling courses for which losses were projected.

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

The acting CE director of programs stated that the decision to cancel a course is made by the CE program coordinator in conjunction with course instructors. He further stated that, although a general knowledge base exists regarding needed enrollments for a course to be self-supporting, no written procedures had been developed.

Not documenting the benefits of offering a course at a financial loss may have an impact on whether a program is self-supporting. The lack of formal review procedures increases the risk of a course being offered that should be canceled.

### **Recommendation 4**

We recommend that the campus develop formalized procedures for either accepting or canceling courses for which losses are projected.

### **Campus Response**

Concur and implemented. CE has developed procedures whereby program coordinators will submit a budget for each of their courses to the Director of Programs no later than the beginning of each quarter. The Director of Programs will cancel any course expected to incur a loss unless sufficient reason exists to continue the course.

## **ENROLLMENT AND STUDENT RECORDS**

### **FEE RECONCILIATION**

Continuing education fees for non-credit courses were not being reconciled to enrollments.

SUAM §3821 states that the chief business officer shall establish control procedures to ensure that all monies due are collected and are safeguarded, deposited, reconciled, remitted, and invested in a timely manner.

SAM §20003 states that the elements of a satisfactory system of internal accounting and administrative control shall include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenue, and expenditures.

The CE financial analyst stated that, when non-credit and professional development revenues were deposited with UAS, a reconciliation of fees collected to enrollments was conducted. However, when CE discontinued the practice of depositing funds with UAS and began depositing the funds into the CERF, reconciliations were no longer performed.

By not reconciling fees, errors or misappropriation of fees may go undetected.

#### **Recommendation 5**

We recommend that the campus develop procedures to reconcile non-credit continuing education fees collected to enrollments.

#### **Campus Response**

Concur and implemented. Effective Winter Quarter 1999, CE developed procedures that require instructors to reconcile non-credit course fees by comparing course rosters generated by CE's CourseMaster Registration system with rosters collected in class. CE's Finance and Administration subsequently reviews, verifies, and files the documentation.

### **DISABLED STUDENT SERVICES OFFICE**

Information regarding the disabled students services office was not included on CE application and/or registration forms or in quarterly course bulletins.

CSU directive 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.

The acting CE director of programs stated that the current statement regarding compliance with the American with Disabilities Act included in CE bulletins was taken from the campus general catalog. He further stated that the bulletin needed to be updated with information regarding the office for students with disabilities.

Failure to include the disclosure hinders disabled students in obtaining required assistance.

### **Recommendation 6**

We recommend that the campus ensure that information regarding the disabled student services office is included on CE application and registration forms and/or in all CE bulletins.

### **Campus Response**

Concur and implemented. CE now regularly includes disabled students office information on its application and registration forms included on the University Policies page of its course catalog.

## **FACULTY/INSTRUCTOR SELECTION AND SALARIES**

Campus procedures did not include a formalized review process to include CE courses in the determination of compliance with the CSU additional employment policy.

CSU directive HR 97-07, *Revised Additional Employment Policy*, dated September 22, 1997, limits additional employment to 25% of a full-time position calculated as a percentage of full-time workload or full-time timebase. The policy applies to the assignment of additional employment to CSU employees in any regular CSU program or auxiliary organization. Each campus is responsible for determining the extent of an employee's CSU workload prior to appointment to any position.

Article 36.1 of the Collective Bargaining Agreement between the CSU Board of Trustees and the California Faculty Association, for October 4, 1995 through June 30, 1998, states that additional employment shall refer to any employment compensated by CSU, funded by general or non-general funds including CSU auxiliaries, that is in addition to the primary or normal employment of a faculty unit employee. The total additional employment of a faculty unit employee shall not exceed a total of 25% overage.

CSULA directive, *125% Rule*, dated February 25, 1997, states that CE is responsible for monitoring the CE fraction of faculty workload.

The acting CE dean stated that the reporting procedure was not carried out because of management turnover.

Inadequately monitoring faculty workload increases the risk of non-compliance with the CSU additional employment policy.

### **Recommendation 7**

We recommend that the campus develop a formalized review procedure to ensure compliance with the CSU additional employment policy.

### **Campus Response**

Concur and implemented. Effective Fall Quarter 1998 every faculty member is now required to sign a letter of appointment which includes a comprehensive statement regarding the additional employment policy. At the end of each quarter, CE prepares and distributes to campus departments a report detailing faculty participation.

In addition, a copy of the letter is now sent to and filed within the University's Human Resource Management office. On a sample basis letters of appointment will be selected for review and traced back to University and auxiliary payroll records to ensure compliance with the CSU additional employment policy.

### **FEE SETTING, COLLECTION AND RECONCILIATION**

CE fee increases were not submitted to the campus fee advisory committee.

Basic CE course fees increased from \$99 to \$125 per unit effective Fall 1998, and the fee for participation in the American Culture and Language Program increased from \$1,650 to \$1780 effective Spring 1998. Although the fee increases received approval by the campus president, the fee advisory committee was not included in the review process.

Executive Order No. 661, *Campus Fee Policy*, dated August 23, 1996, requires each campus to establish a fee advisory committee to provide advice to the campus president regarding proposed fee actions for mandatory, user, or penalty fees. Some user fees require frequent adjustment to accommodate changing market conditions (e.g., continuing education fees) which may not permit consideration in advance by the committee.

CSULA administrative procedure No. 204, *Campus Fee Policy*, approved November 11, 1997, established a fee advisory committee.

The acting CE dean stated that he was not aware of the policy.

Failure to submit the proposed fee increases to the fee advisory committee violates the spirit of the executive order and limits the value of internal input to the president.

### **Recommendation 8**

We recommend that the campus ensure that all proposed fee increases be submitted to the fee advisory committee prior to presidential approval.

### **Campus Response**

Concur. All proposed CE fee increases are now submitted to the fee advisory committee in accordance with Executive Order 661. It should be noted, however, that the campus sought clarification from the Chancellor's Office regarding the need to submit the proposed fee increases to the fee advisory committee. The campus was advised that fees assessed to non-matriculated students did not need to be reviewed by the fee advisory committee, and the campus acted on that basis.

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
James M. Rosser	President
James Antonich	Acting Director, Continuing Education Programs
Mark Canevari	Internal Auditor
Fausto Caceres	Payroll Technician
Pat Cates	Fiscal Officer, School of Natural and Social Sciences
Linda Chow	Supervisor, Accounts Payable
Leland Farley	Acting Director, Continuing Education Finance and Administration
Sally Gardner	Director, American Culture and Language Program
Jennifer Hageboeck	Officer Manager, American Culture and Language Program
Timothy Haight	Dean, School of Business and Economics
Robin Hall	Program Coordinator, Continuing Education
Ann Harris	Supervisor, Accounts Receivable
Margaret Hartman	Provost and Vice President for Academic Affairs
Larry Jordan	Director, Analytical Studies
James Kelly	Acting Dean of Continuing Education
Allen Mori	Dean, School of Education
Gary Murph	Assistant Vice President for Administration and Finance
Martha Nakamoto	Academic Affairs Coordinator, Office of the Provost
Judy Papenhausen	Chair, Department of Nursing
Diane Paramo	Manager, Student Financial Services
Elizabeth Perrin	Director, Distance Learning Program
Sri Reganathan	Controller
Blanca Rodriguez	Payroll Officer
Richard Romano	Fiscal Coordinator, School of Business and Economics
Raquel Soriano	Director, University Auxiliary Services
Priscilla Taylor	Assistant Director, American Culture and Language Program
Barbara Thomas	Director of Financial Support Services, University Auxiliary Services
Adrienne Yamagishi	Fiscal Analyst, Continuing Education