

CONTINUING EDUCATION
CALIFORNIA MARITIME ACADEMY

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Members, Committee on Audit

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Harold Goldwhite, Vice Chair
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ABBREVIATIONS

CE	Continuing Education
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CSU	California State University
CMA	California Maritime Academy
CME	Continuing Maritime Education
EE	Extended Education
EO	Executive Order
MOU	Memorandum of Understanding
RPA	Request for Personnel Action
SAM	State Administrative Manual
SUAM	State University Administrative Manual

INTRODUCTION

PURPOSE

Our overall audit objective was to ascertain the effectiveness of policies and procedures related to the administration of Continuing Education programs, determine the adequacy of controls over Continuing Education Revenue Fund (CERF) operations, and verify whether continuing education trust accounts have been properly established.

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;
- ▶ fund integrity is maintained between continuing education, state and auxiliary funds;
- ▶ budgeting procedures include all course costs and revenues to identify potential course losses in advance and to 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
- ▶ 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 “Notwithstanding any other provision of law to the contrary, revenues from extension programs, special sessions, and other self-supporting instructional programs, including but not limited to, fees and charges required by the trustees, may be transmitted to the Treasurer and, if transmitted, shall be deposited by that officer in the State Treasury to the credit of the State University Continuing Education Revenue Fund.” Prior to January 1, 1999, the revenues were required to be transmitted to the Treasurer.

In late 1998, the 1998 Higher Education Omnibus Act (AB 2812) was enacted. AB 2812 permitted continuing education revenues to be deposited in trust accounts instead of the CERF. The legislation amended Education Code § 89704 as mentioned above and Education Code § 89721 as follows:

The California Education Code § 89721 states in part that, effective January 1, 1999, “Notwithstanding any other provision of law to the contrary, revenues received 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, inclusive, of the Government Code, or in the California State University Trust Fund.”

June 1998 to date was the primary period of review.

Our focus involved a wide variety of issues dealing with continuing education 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;
- ▶ 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, discussed the report at the Executive Council meeting on February 11, 1997, and indicated that the campuses would be expected to abide by the recommendations contained therein.

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 the California Maritime Academy, the Continuing Maritime Education (CME) Office manages the Continuing Education program.

OPINION

We visited the California Maritime Academy campus from April 13, 1999, through May 14, 1999, and audited the procedures in effect at that time.

Our audit disclosed conditions which, in our opinion, if not corrected, could result in errors and irregularities and affect the fiscal health of the Continuing Maritime Education (CME) program.

Specifically, fund integrity was not maintained between continuing education and state funds, the CME program operated at a deficit during the current and previous years, CME lacked formalized budget procedures to monitor the fiscal stability of the CME program, and the continuing education revenue fund (CERF) was below CSU requirements. Areas requiring improvement are mentioned in the Executive Summary.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring their 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 [7]

FISCAL SERVICES [7]

The campus utilized the California Maritime Academy (CMA) Foundation to provide fiscal services for the Simulators program without proper written authority. Maintaining continuing education funds in the continuing education revenue fund (CERF) or in state trust accounts and ensuring that written agreements define services authorized between the campus and the CMA Foundation decreases the risk of inappropriate management of state funds.

POLICY AND PROCEDURES MANUAL [8]

Continuing Maritime Education (CME) did not have a policies and procedures manual to communicate control requirements to CME personnel. Internal controls are strengthened when policies and procedures are documented and communicated to employees.

REVENUE DISTRIBUTION AND RETAINED EARNINGS [8]

GENERAL FUND REIMBURSEMENT [8]

General fund reimbursements for support services provided by campus administrative and academic departments to Continuing Maritime Education (CME) 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.

CONCURRENT ENROLLMENT [10]

The allocation of concurrent enrollment revenue was not properly documented. Proper documentation of concurrent enrollment revenue ensures that academic departments are fully compensated for costs incurred in support of concurrent enrollment and decreases the risk of misunderstandings concerning revenue allocations.

CONTINGENCY RESERVE [10]

The continuing education revenue fund (CERF) contingency reserve was not maintained in accordance with CSU policy. Maintaining the CERF contingency reserve in compliance with CSU policy decreases the risk of depleting the contingency reserve and strengthens the ability to cover future unplanned deficits.

EXPENDITURES [11]

CERF EXPENDITURES [11]

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

PURCHASING [13]

The signature authorization file for Continuing Maritime Education (CME) purchases was not current. Proper maintenance of signature authorization cards decreases the risk of inappropriate expenditures. **Subsequent to the fieldwork, the campus provided evidence that the signature file had been updated to include the appropriate signature authority.**

FEE SETTING, COLLECTION AND RECONCILIATION [13]

REFUNDS [13]

Internal controls over refunds were not adequate. Adequately controlling refunds ensures that refunds are proper and decreases the risk that errors or misappropriation of funds will not be detected.

CASH RECEIPTS [14]

Controls over the payment of Continuing Maritime Education (CME) course fees were not adequate. Adequately controlling cash receipts decreases exposure to loss from inappropriate acts.

FEE APPROVAL [15]

Continuing Maritime Education (CME) course fees were not submitted to the campus fee advisory committee and properly approved. Internal controls over fees are strengthened when they are properly reviewed and approved.

FACULTY/INSTRUCTOR SELECTION AND SALARIES [15]

ADDITIONAL EMPLOYMENT [15]

Campus procedures for monitoring compliance with the CSU additional employment policy were not adequate. Adequately monitoring faculty workload helps ensure compliance with the CSU additional employment policy.

FACULTY HIRING [16]

Documentation to support faculty hiring was not always current. Adequately maintaining personnel documentation decreases the risk of unauthorized payments to instructors.

CONSULTANTS/INDEPENDENT CONTRACTORS [17]

Written agreements were not always prepared to properly support payments made to consultants hired as independent contractors for Continuing Maritime Education (CME) courses. Internal controls over instructor payments are strengthened when written agreements are executed for consultants hired as independent contractors.

COURSE SELECTION AND MANAGEMENT [18]

Continuing Maritime Education (CME) did not have formalized budget procedures to monitor the fiscal stability of the CME program. Adequately monitoring the fiscal stability of the CME program decreases the risk of unplanned deficits and helps to ensure that the overall program remains self-supporting.

ENROLLMENT AND STUDENT RECORDS [19]

Information regarding disabled student services was not properly disclosed in Continuing Maritime Education (CME) course catalogs. Properly disclosing contact information in CME course catalogs ensures compliance with federal regulations and provides disabled students with information regarding required assistance.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION

FISCAL SERVICES

The campus utilized the California Maritime Academy (CMA) Foundation to provide fiscal services for the Simulators program without proper written authority. We found that:

- ▶ Funds from the Simulators program were deposited into two foundation accounts. As of May 14, 1999, balances in these accounts showed a net deficit of \$8,200.
- ▶ There was no written agreement between the campus and the CMA Foundation that defined the services to be provided and corresponding fees.

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

Pursuant to Title 5 §42500 and §42501, an auxiliary may administer workshops, conferences, institutes, and instructionally related programs. However, any services required from an auxiliary should be properly documented in a contract.

The CME director stated that he had been advised that these funds were in a foundation account to be used for training and was unaware of the requirement to establish a written agreement to use foundation services.

Maintaining continuing education funds in the foundation without written agreements clearly defining the services to be provided increases the risk of inappropriate expenditures of state funds.

Recommendation 1

We recommend that the campus:

- a. resolve the disposition of the deficit balance with the CMA Foundation and close the two foundation accounts; and

- b. establish a written agreement between the campus and the CMA Foundation for any services required in the future.

Campus Response

The campus will take the necessary steps to resolve the deficit in the CMA Foundation account not later than June 30, 2000. By March 2000 the campus will establish a policy requiring that any account established in the Foundation will be authorized with a written agreement between the Foundation and the campus.

The campus will transfer the second account from the Foundation to the campus not later than March 2000.

POLICIES AND PROCEDURES MANUAL

Continuing Maritime Education (CME) did not have a policies and procedures manual to communicate control requirements to CME personnel.

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

The CME director recognized the need to develop a comprehensive policies and procedures manual but indicated that, due to staffing levels, it was a low priority.

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

Recommendation 2

We recommend that CME complete and distribute written policies and procedures to all CME personnel.

Campus Response

The campus will complete and distribute a policies and procedures manual by June 2000.

REVENUE DISTRIBUTION AND RETAINED EARNINGS

GENERAL FUND REIMBURSEMENT

General fund reimbursements for support services provided by campus administrative and academic departments to Continuing Maritime Education (CME) were not properly documented.

General fund reimbursement for campus administrative services is provided via an annual flat rate allocation of \$19,810 (or less than 2% of CME revenues). However, there was no written agreement between the campus and CME describing the basis and rationale for the valuation of services.

CSU directive 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 directive 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. 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. 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 director of business services stated that the campus' method of charging a low overhead rate to CME was based on CME's financial condition.

Undocumented 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 3

We recommend that the campus:

- a. determine the amount of services provided to CME 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 copies of these written agreements on file in the campus business office.

Campus Response

The campus has begun developing a comprehensive policy and related written procedures for determining costs for a wide range of campus services. This will be a lengthy process that will encompass all of the recommendations contained in this report. The project is estimated to be complete by fall of

2000. Following implementation of this campus-wide policy and procedure, all services provided by the General Fund to CME will be documented by written agreement.

CONCURRENT ENROLLMENT

The allocation of concurrent enrollment revenue was not properly documented.

Concurrent enrollment revenue is deposited into the continuing education revenue fund (CERF), and 100% has been designated for allocation to academic affairs. However, there was no documentation to support the allocation method being used.

Executive Order No. 298, *Regulations Governing Extension Student Enrollment in Regular Session Offerings*, dated August 1, 1978, states that the allocation of concurrent enrollment revenue is to be determined by the campus president following consultation with appropriate faculty representatives.

The director of business services stated that, although concurrent enrollment revenue is deposited in the CERF, academic affairs is entitled to all the revenue because CME has no involvement in the administration of concurrent enrollment.

Lack of documentation for concurrent enrollment allocations could result in misunderstandings between academic affairs and CME as well as academic departments not being fully compensated for costs incurred in support of concurrent enrollment.

Recommendation 4

We recommend that the campus prepare appropriate written documentation to support the allocation method being used for concurrent enrollment revenue.

Campus Response

The campus will complete written documentation of the method of allocation of concurrent enrollment revenue. This will be accomplished by March 2000.

CONTINGENCY RESERVE

The continuing education revenue fund (CERF) contingency reserve was not maintained in accordance with CSU policy.

An analysis of the CERF contingency reserve as of July 1, 1998, showed that the CERF contingency reserve was \$45,864 below the CSU policy minimum of 10% of prior year revenue, and a \$70,000 loan from housing was required to cover a CERF deficit on June 30, 1998. We further noted that the CME program had operated in a deficit position during the current and previous years, and the campus had not established a plan to meet reserve requirements.

CSU directive, BA 91-13, *Revised Policy on the Management of the Continuing Education Revenue Fund*, dated August 7, 1991, states that the CERF contingency reserve balance should be maintained at a minimum of 10% of prior year program revenue.

CSU directive CE 73-12, *Policy on Prevention and Elimination of Budgetary Deficits in Continuing Education*, dated June 26, 1973 established policy guidelines requiring that continuing education programs be conducted on a self-supporting basis and controls be exercised to assure no unplanned deficits occur. When a deficit balance occurs, the campus shall request approval from the Chancellor's Office that the deficit be funded from the campus program development reserve and include a plan to offset the deficit with revenues from succeeding years.

The director of business services stated that, in order to close the books at year-end, a loan was made to cover the Continuing Maritime Education (CME) deficit.

Not maintaining the campus CERF contingency reserve within CSU policy could result in depletion of the contingency reserve and an inability to cover future unplanned deficits.

Recommendation 5

We recommend that the campus develop procedures to monitor the CME program to ensure fiscal stability and adequacy of the CERF contingency reserve.

Campus Response

The campus is enhancing existing procedures to ensure that the Chief Financial Officer or his staff reviews the financial condition of CME on a monthly basis. In addition, reports will be provided to the Vice President Academic Affairs. The campus will review the CERF reserve requirements and develop a plan for adequately funding reserves. This revisions will be implemented by March 2000.

EXPENDITURES

CERF EXPENDITURES

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

- ▶ Salaries of four campus faculty members who also taught Continuing Maritime Education (CME) courses were being charged entirely to the CERF, and no analysis had been performed to determine the portion applicable to CME course instruction. As of March 31, 1999, \$158,396 had been charged to the CERF for the 1998-99 year.

- ▶ \$65,000 was charged to the CERF for a campus computer maintenance contract.
- ▶ The campus purchased a training course and equipment from ARCO Marine, Inc. (AMI) for California Maritime Academy (CMA) undergraduates, which included a training credit for AMI personnel. The training credit provided a 50% discount on all CME training courses until a total of \$65,000 is reached. As of May 14, 1999, discounts totaling \$43,000 had been given.

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 campus president stated that the charges to the CERF for these activities were based on information and data provided by the previous CME director regarding the status of the program.

Failure to establish adequate controls over the disbursement of CERF monies increases the risk of inappropriate expenditures and the fiscal instability of the continuing education program.

Recommendation 6

We recommend that the campus strengthen procedures to ensure that expenditures of continuing education funds are for appropriate purposes and reimburse the CERF for the non-CME faculty salaries, computer maintenance charges and AMI discounts.

Campus Response

The campus has taken steps to comply with this recommendation. By the end of the 1998/99 fiscal year CME only paid for faculty doing CME work. All expenditures for non-CME faculty and computer maintenance were paid directly from the General Fund. The matter of the AMI discounts is still under review. In the future, only those costs related to the delivery of CME programs will be charged to CME accounts. By March 2000, the Chief Financial Officer will issue a memorandum to the Accounting, Budget, and CME offices, instructing them to refer any charges that they believe are not directly related to CME programs, to his attention for appropriate action.

PURCHASING

The signature authorization card for Continuing Maritime Education (CME) purchases was not current.

Although the CME director did not have a signature card on file in the purchasing office, he routinely approved purchases.

SAM §20003 requires a system of authorization and recordkeeping procedures adequate to provide effective accounting controls over assets and expenditures.

The purchasing assistant stated that this discrepancy was an oversight.

Improper maintenance of signature authorization cards increases the risk of inappropriate expenditures.

Subsequent to the fieldwork, the campus provided evidence that the signature file had been updated to include the appropriate signature authority.

FEE SETTING, COLLECTION AND RECONCILIATION

REFUNDS

Internal controls over refunds were not adequate. We noted that:

- ▶ Continuing Maritime Education (CME) had not established procedures to verify refunds recorded to the CERF.
- ▶ The CME refund formula and processing fee were not in compliance with Title 5 requirements.
- ▶ There was an inadequate separation of duties within CME because the staff member who processed refund requests also collected, logged and transferred course registration fees to campus cashiering, and posted cash receipts to department accounting records.

SAM §20003 requires that an adequate system of record keeping and internal control procedures be maintained within each agency to provide effective accounting control over revenues.

Title 5 §41802 provides specific refund formulas and processing fees for special session and extension course tuition fees.

SAM §8080 requires an adequate separation of duties so that no one person processes cash receipts and refunds.

The CME director stated that verification of refunds was not considered because companies usually pay student fees, which results in very few refunds. He further stated that CME believed it was in compliance with Title 5. The CME course coordinator indicated that her duties expanded when CME lost a staff member thus preventing an adequate separation of duties.

Inadequate controls over refunds not only result in improper refunds but also prevent errors or misappropriations from being detected.

Recommendation 7

We recommend that the campus:

- a. establish procedures to verify refunds;
- b. revise the CME refund policy in accordance with Title 5; and
- c. establish an adequate separation of duties within CME.

Campus Response

By March 2000 the campus will establish procedures to comply with recommendation 7 parts a and b. The campus is aware of the benefits of adequate separation of duties and will take all reasonable steps to comply with the recommendation. However, the number of CME and campus employees is a limiting factor in the implementation of an ideal solution.

CASH RECEIPTS

Controls over the payment of Continuing Maritime Education (CME) course fees were not adequate.

Designated collection locations for CME cash receipts included the campus cashier and CME offices. However, students enrolled in CME radar courses submitted their course fees to the course instructor instead of at one of the designated collection locations. Campus records showed that these fee payments were part of more than \$282,000 in cash receipts submitted to the cashier's office on a "walk-up" basis.

SAM §20003 requires a satisfactory system of internal accounting and administrative control to provide effective accounting controls over assets, liabilities, revenues, and expenditures.

The director of business services stated that this procedure was established as a service to the students.

Inadequate controls over cash receipts increase the risk of loss and inappropriate acts.

Recommendation 8

We recommend that the campus revise their fee payment procedures to ensure that all CME cash receipts are received in the designated locations.

Campus Response

The campus will develop and put in place, by March 2000, procedures that provide adequate controls on the collection of cash receipts.

FEE APPROVAL

Continuing Maritime Education (CME) course fees were not submitted to the campus fee advisory committee and properly approved.

Executive Order No. 661, *Fees, Rates, and Charges*, dated August 23, 1996, requires each campus to establish a fee advisory committee to provide advice to the campus president regarding proposed fee actions and delegates the authority to approve adjustments to campus user fees to the campus president.

The vice president of student affairs, who is a fee advisory committee member, stated that he was not aware of the requirement that the fee advisory committee approve CME course fees.

Internal controls over course fees are compromised when fee actions are not properly reviewed and approved.

Recommendation 9

We recommend that the campus establish procedures to ensure that CME fees are submitted to the fee advisory committee and properly approved.

Campus Response

By December 1999 the campus will establish a procedure requiring that all existing fees, changes to existing fees, and any new fees, be submitted to the campus fee advisory committee.

FACULTY/INSTRUCTOR SELECTION AND SALARIES

ADDITIONAL EMPLOYMENT

Campus procedures for monitoring compliance with the CSU additional employment policy were not adequate.

A review of four California Maritime Academy (CMA) faculty who taught courses for Continuing Maritime Education (CME) during the 1998-99 academic year disclosed that three faculty had exceeded the workload limitation.

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.

The CME director stated that CME faculty workload information was not consistently forwarded to the academic dean's office.

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

Recommendation 10

We recommend that the campus improve faculty workload monitoring procedures to ensure compliance with the CSU additional employment policy.

Campus Response

By March 2000 the campus will adopt a procedure requiring that CME staff review all proposed faculty hires with the campus Human Resources Office to confirm that the appointment under consideration is within CSU additional employment policy and the Collective Bargaining Agreement.

FACULTY HIRING

Documentation to support faculty hiring was not always current.

A review of personnel actions for twenty instructors disclosed that an outdated Request for Personnel Actions (RPA) form was used in four instances. This form requires the designation of an "end date" or annual renewal when personnel are hired on a temporary basis.

Campus Policy No. 211.19, *Faculty Hiring Procedures*, requires the preparation of a Request for Personnel Action form.

The CME course coordinator stated that new Request for Personnel Action form is required only when a change in faculty status occurs.

Not maintaining personnel documentation on a current basis increases the risk of unauthorized payments to instructors.

Recommendation 11

We recommend that the campus strengthen procedures to ensure that CME personnel documentation is maintained on a current basis.

Campus Response

The campus will continue to require preparation of the Request for Personnel Action (RPA) form for all personnel actions, including extensions of appointments. By March 2000 the campus will adopt a procedure requiring that CME staff monitor faculty appointments to ensure compliance and that Human Resources review all CME appointments at least annually to ensure compliance.

CONSULTANTS/INDEPENDENT CONTRACTORS

Written agreements were not always prepared to properly support payments made to consultants hired as independent contractors for Continuing Maritime Education (CME) courses.

A review of payments to twenty-three consultants/independent contractors disclosed that three did not have proper supporting documentation on file.

SUAM §2571 classifies independent contractors as consultants and further describes the requirements and methods for establishing written agreements for instructional services.

SAM §20003 requires an established system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The purchasing assistant stated that the campus previously required a purchase order to be submitted for independent contractor services. However, this requirement is no longer in force.

Internal controls over instructor payments are compromised when appropriate written documentation is not prepared to support instructor payments.

Recommendation 12

We recommend that the campus establish procedures to ensure that written agreements are executed whenever consultants are hired as independent contractors.

Campus Response

By March 2000 the campus will implement a procedure requiring that Human Resources review the hiring of consultants to determine the most appropriate method of payment (employee or independent contractor). When independent contractor is determined to be the most appropriate, CME will coordinate execution of the contract with the Purchasing Office. The Purchasing Office will ensure that all the appropriate agreements are in place prior to commencement of any work.

COURSE SELECTION AND MANAGEMENT

Continuing Maritime Education (CME) did not have formalized budget procedures to monitor the fiscal stability of the CME program.

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

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 CME director stated that he was working closely with the campus business office to make the budget process more formalized.

The lack of formalized budget procedures increases the risk of unplanned deficits and jeopardizes the self-supporting nature of the Continuing Education program.

Recommendation 13

We recommend that the campus establish formalized budget procedures to monitor the fiscal stability of the CME program.

Campus Response

By March 2000 the campus will establish a procedure requiring that the Director of CME submit an annual budget, via appropriate offices, to the President. This procedure will also provide for appropriate monitoring of the fiscal stability of the CME program.

ENROLLMENT AND STUDENT RECORDS

Information regarding disabled student services was not properly disclosed in Continuing Maritime Education (CME) course catalogs.

The course catalogs did not contain a contact number for disabled students to obtain required assistance.

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 a phone number should be provided for information for disabled students services.

The CME director believed that the existing statement regarding disabled students was in compliance with CSU requirements.

Failure to include contact information in CME catalogs hinders disabled students in obtaining required assistance.

Recommendation 14

We recommend that the campus ensure that contact information regarding disabled student services is disclosed in all CME catalogs.

Campus Response

This information will be updated to comply with CSU directive EE 81-25/SA 81-46, and included in the 2000 CME catalog.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Jerry A. Aspland	President
Jeanne Baker	Personnel Analyst
Lee Bateman	Chief Financial Officer
Janice Beitler	Accountant II
Charlie Bonham	Vice President, Administration & Student Services
Vineeta Dhillon	Purchasing Assistant
Gale Gomez	Cashier
Jill Johns	Director of Business Services
Susan Johnson	Accounts Payable Lead
Stephen Kreta	Academic Dean
Donna Lichty	Buyer
David Pence	Director, CME
Mary Pierce	Purchasing Manager
Richard Ratkey	Accountant I
Christy Redford	Accounting Manager
Cheri Sims	Payroll Technician
Ken Toet	Controller, CMA Foundation
Shelrey Woodson	Course Coordinator, CME