

**CONTINUING EDUCATION**

**SAN FRANCISCO STATE UNIVERSITY**

**Report Number 99-16**

**October 21, 1999**

---

**Members, Committee on Audit**

Stanley T. Wang, Chair  
Harold Goldwhite, Vice Chair  
Dee Dee Myers    Joan Otomo-Corgel  
Frederick W. Pierce, IV  
Ali Razi

---

**Staff**

University Auditor: Larry Mandel  
Audit Manager: Janice Mirza  
Staff Auditor: Steven Yim

---

**BOARD OF TRUSTEES**

**THE CALIFORNIA STATE UNIVERSITY**

---

# CONTENTS

---

## INTRODUCTION

Purpose.....	1
Scope and Methodology.....	2
Background .....	3
Opinion.....	3
Executive Summary.....	4

---

## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Continuing Education Programs and Administration.....	6
Revenue Distribution and Retained Earnings .....	7
General Fund Reimbursement .....	7
Revenue Sharing.....	8
Fee Setting, Collection and Reconciliation.....	9
Fee Approvals .....	9
Tuition Fee Refunds.....	10
Faculty/Instructor Selection and Salaries .....	10
Course Selection and Management.....	11

## APPENDICES

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

---

## ABBREVIATIONS

ALI	American Language Institute
CBA	Collective Bargaining Agreement
CE	Continuing Education
CEL	College of Extended Learning
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CSU	California State University
DRC	Disability Resource Center
DTC	Downtown Center
SFSU	San Francisco State University
EE	Extended Education
EO	Executive Order
MOU	Memorandum of Understanding
SAM	State Administrative Manual
SUAM	State University Administrative Manual
TCI	Trans-Cosmos, Inc.

---

## 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 San Francisco State University, the College of Extended Learning (CEL) office manages the Continuing Education program.

---

## OPINION

We visited the San Francisco State University campus from May 3, 1999, through June 4, 1999, 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 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 [6]**

Campus procedures did not include a formalized review process to determine which academic department sponsored activities, such as conferences and workshops, should be managed in cooperation with the College of Extended Learning (CEL) and operated through the continuing education revenue fund (CERF) or state trust. Establishing a formalized review process for academic department sponsored activities ensures that they are placed under appropriate management.

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

#### **GENERAL FUND REIMBURSEMENT [7]**

General fund reimbursements for support services provided by campus administrative and academic departments to the College of Extended Learning (CEL) were not properly supported. Documenting general fund reimbursement procedures ensures that the general fund is fully compensated for support services provided to continuing education.

#### **REVENUE SHARING [8]**

Revenue sharing rates for other special session programs were not properly documented. Proper documentation of revenue sharing rates ensures that academic departments are fully compensated for costs incurred in support of special session programs and reduces the risk of misunderstandings concerning revenue allocations.

## **FEE SETTING, COLLECTION AND RECONCILIATION [9]**

### **FEE APPROVALS [9]**

Tuition fees for the College of Extended Learning (CEL) were not properly approved. Internal controls are strength

### **TUITION FEE REFUNDS [10]**

The College of Extended Learning (CEL) policy for tuition fee refunds was not in compliance with Title 5. Compliance with Title 5 reduces the risk of improper refunds.

## **FACULTY/INSTRUCTOR SELECTION AND SALARIES [10]**

Campus procedures for monitoring faculty additional employment did not include College of Extended Learning (CEL) faculty appointments. Proper monitoring of faculty workload ensures compliance with the CSU additional employment policy.

## **COURSE SELECTION AND MANAGEMENT [11]**

Documents required for participation in foreign travel programs were not always obtained. Obtaining the required documentation reduces exposure to liability.

---

## **OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES**

### **CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION**

Campus procedures did not include a formalized review process to determine which academic department sponsored activities, such as conferences and workshops, should be managed in cooperation with the College of Extended Learning (CEL) and operated through the continuing education revenue fund (CERF) or state trust.

A review of academic department project accounts maintained at the San Francisco State University (SFSU) Foundation disclosed instances where project accounts contained revenue from self-supporting conferences, workshops, and other self-supporting instructional programs. For example, the Humanities Department maintained a project account for the American Language Institute (ALI).

Education Code §89704 states that, notwithstanding any other provision of law to the contrary, 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.

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

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

The CEL dean stated that it has not been the prerogative of the CEL to look into matters involving other colleges' relationships with the foundation. He further stated that the ALI was established under the auspices of the English department in the College of Humanities in the 1960's and predates the existence of the CERF and CEL.

Lack of a formalized review process for academic department sponsored conferences, workshops, and other self-supporting instructional programs increases the risk of improperly managed activities.

#### **Recommendation 1**

We recommend that the campus:

- a. establish procedures to ensure that all campus sponsored self-supporting instructional programs, conferences and workshops, are managed in accordance with CSU directives and the Education Code;
- b. analyze all academic department accounts maintained at the foundation and transfer balances from campus sponsored self-supporting instructional activities to the CERF or into state trust accounts; and
- c. deposit and retain all future revenue from campus sponsored self-supporting instructional activities directly into the CERF or into state trust accounts.

### **Campus Response**

We concur. A formal review process will be established to ensure that all campus sponsored self-supporting instructional programs, and conferences and workshops, are managed (and revenue deposited) in accordance with CSU directives and the Education Code. All academic department accounts at the Foundation will be analyzed; the balances from the American Language Institute (ALI) and any other campus sponsored self-supporting instructional activities will be transferred to the CERF or state trust accounts. Anticipated completion date: February, 2000.

## **REVENUE DISTRIBUTION AND RETAINED EARNINGS**

### **GENERAL FUND REIMBURSEMENT**

General fund reimbursements for support services provided by campus administrative and academic departments to the College of Extended Learning (CEL) were not properly supported.

General fund reimbursement for campus administrative support services is provided via a 5% allocation of CEL gross revenue. Although total reimbursement meets and exceeds CSU directive requirements, the written agreement between the campus and the CEL did not contain the basis and rationale for the 5% 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 percent 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 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 CEL dean stated that it is difficult, if not impossible, to place an accurate valuation on campus services provided to the CEL, as all costs by CEL to the university are incremental.

A lack of documentation for general fund reimbursement procedures could result in the general fund not being fully compensated for support provided to the CEL in addition to reducing working capital available to the campus.

### **Recommendation 2**

We recommend that the campus:

- a. determine the amount of services provided to the CEL 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**

We concur. Using BA 83-30 and other CSU policies, a review is already underway to determine the amount of services provided to the CEL by each campus service provider. The resulting basis and rationale for the valuation of services will be documented in written agreements filed in the campus business office. Anticipated completion date: February, 2000.

### **REVENUE SHARING**

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

The College of Extended Learning (CEL) shares special session revenue with academic departments via an 8% allocation of revenue collected from student fees. However, there was no formalized written agreement between the academic departments and the CEL containing the basis and rationale for the revenue sharing.

Except for summer session programs, CSU policy does not address revenue sharing to academic departments for costs incurred in support of other special session programs.

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 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 CEL dean stated that the allocation is intended to cover the costs of supporting the instructional programs including the cost of supplies, materials, equipment and services incurred by the departments/colleges for courses taught through the CEL. He further stated that agreements have been drafted and will be executed shortly to formalize the support formulas currently in use.

Not documenting academic department revenue sharing procedures could result in misunderstandings between academic departments and the CEL, in addition to academic departments not being fully compensated for costs incurred in support of CEL programs.

**Subsequent to the completion of our fieldwork, the campus provided documentation evidencing a revenue sharing agreement between the CEL and the vice-president of academic affairs.**

## FEE SETTING, COLLECTION AND RECONCILIATION

### FEE APPROVALS

Tuition fees for the College of Extended Learning (CEL) were not properly approved.

Executive Order 661, *Fees, Rates and Charges*, dated August 23, 1996, delegated authority to the campus president to approve adjustments to campus user fees.

The CEL Associate Dean stated that the university-wide student fee advisory committee reviewed and accepted the proposed CEL fees but, due to procedural oversight, their recommendations were not forwarded for final signature authorization.

Internal controls are compromised when changes in fees are not supported by proper written approval.

**Subsequent to the completion of our fieldwork, the campus provided documentation evidencing the president's approval of CEL tuition fees for fiscal year 1999/2000.**

## **TUITION FEE REFUNDS**

The College of Extended Learning (CEL) policy for tuition fee refunds was not in compliance with Title 5.

Our review disclosed that the CEL accepts refund requests by phone and, if a course is dropped during the first two days of class, a \$25 processing fee is assessed per course.

Title 5 §41802 requires that refund requests be in writing, and it provides specific refund formulas for special session and extension course tuition fees.

The CEL chief financial officer stated that the CEL refund policy was designed to be fair and equitable to the student, while complying with the spirit and intent of Title 5. He further stated that parts of Title 5, §41802 are outdated and not compatible with modern electronic means of communication or with campus efforts to provide better customer service.

Non-compliance with Title 5 could result in improper refunds.

### **Recommendation 3**

We recommend that the CEL revise its refund policy to comply with Title 5 requirements or obtain an exemption from the Chancellor's office.

### **Campus Response**

We concur. We will be requesting an exemption from the Chancellor's Office concerning refunds during the first two days of a class. CEL's current refund policies were designed to promote customer retention, service and fairness. We believe Title 5 needs to be updated to provide the flexibility to achieve these goals while following good business practice.

CEL has begun plans to modify its registration and fee payment system (CELIS) to allow student accounts to reflect a "credit" for the amount of money due a student when a course is dropped. If the student wants the credit to be refunded rather than applied to the cost of another course, he/she will have to request the refund in writing as required by Title 5. Anticipated completion date: March, 2000.

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

Campus procedures for monitoring faculty additional employment did not include College of Extended Learning (CEL) faculty appointments.

CSU directive HR 97-07, *Revised Additional Employment Policy*, dated September 22, 1997, limits additional employment to 25 percent of a full-time position calculated as a percentage of full-time

workload or full-time time base. When applying the limitations of the policy, the applicable time period for twelve (12) month employees is based on the calendar year. The applicable time period for ten-month or academic year employees is based on the academic year at semester/quarter campuses and the individual's academic year at QSYRO campuses, exclusive of time periods between academic years, time periods between academic terms, and vacation periods of the employee. 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 Agreements (CBA) between the CSU Board of Trustees and the California Faculty Association, for October 4, 1995 through June 30, 1998 and July 1, 1998 through June 30, 2001, state 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 percent overage.

The dean of faculty affairs and professional development stated that campus procedures for monitoring additional faculty workload did not include CEL faculty appointments. The director of employee relations stated that continuing education pays by class, not by timebase, and that no CSU policy related to continuing education classes equates a class to a timebase. He further stated that all faculty appointments, which include a fractional timebase, are reviewed in accordance with CSU policy and the CBA regardless of the funding.

Not adequately monitoring faculty workload increases the risk of non-compliance with the CSU additional employment policy.

#### **Recommendation 4**

We recommend that the campus develop procedures to include all additional employment when monitoring employee workload.

#### **Campus Response**

We concur. The campus is developing and will implement procedures to monitor all employee workload to help ensure compliance with the CSU additional employment policy. Anticipated completion date: March, 2000.

## **COURSE SELECTION AND MANAGEMENT**

Documents required for participation in foreign travel programs were not always obtained. We noted that:

- ▶ Medical fitness statements were not always obtained from licensed medical doctors regarding students' ability to participate in foreign study programs. In some instances, individuals were allowed to participate by providing the names and phone numbers of family physicians.
- ▶ Written contracts were not executed between the College of Extended Learning (CEL) and the course participants.
- ▶ Evidence of health/accident insurance coverage was not required. Instead, the CEL relied upon certifications from course participants that adequate coverage was in place.

Executive Order #165, *Foreign Study Program Policies and Procedures of the California State University and Colleges*, dated November 10, 1972, states that the institution shall require a current statement from a licensed medical doctor as to the ability of the student to participate in the Foreign Study Program as well as health and accident insurance covering foreign travel. In addition, a written contract between the institution and each participant is required. This contract must specify the benefits and obligations of each party with respect to the Foreign Study Program and clearly delineate those matters for which the institution will and will not be responsible.

The CEL dean acknowledged that the CEL failed to secure and maintain required agreements, records, and other documents specified.

Not obtaining the required documentation exposes the campus to liability.

### **Recommendation 5**

We recommend that the campus strengthen procedures to ensure that all required documentation is obtained from participants enrolled in foreign study programs.

### **Campus Response**

We concur. CEL will strengthen procedures to ensure that all required paperwork will be collected and reviewed prior to departure. Anticipated completion date: December, 1999.

---

## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Robert A. Corrigan	President
Lin Bushart	Executive Assistant to the Provost/Vice-President of Academic Affairs
Ly Chau	Accounts Supervisor, College of Extended Learning
Bob Craig	Business Services Coordinator, College of Extended Learning
Peter Dewees	Dean, College of Extended Learning
Rebecca Downer	Information/Registration Specialist, College of Extended Learning
Albert Frietas	Student Services Specialist, College of Extended Learning
John Gemello	Associate Vice-President, Academic Resources
Cathy Grumich	Program Assistant, College of Extended Learning
Lynne Hoang	Refund Specialist, College of Extended Learning
Barbara Kelville	Assistant Director, College of Extended Learning
Tom LaBelle	Provost/Vice-President, Academic Affairs
Franz Lozano	Bursar, Cashiers Office
Marci Manderscheid	Executive Director, Continuing Education and the DTC
Henry McCoy	Information Specialist/Faculty Coordinator, Human Resources
Lucy Morse-Falau	Administrative Secretary, Internal Audit
Herminio Pugay	Fiscal Specialist, College of Extended Learning
Judah Rosenwald	Chief Financial Officer, College of Extended Learning
Georgi Rubcic	Faculty Payroll Technician, College of Extended Learning
Don Scoble	Vice-President, Business and Finance
Jim Van Ness	Internal Auditor, Business and Finance
Julie Vaquilar	Enrollment Services Coordinator, College of Extended Learning
Anthony Victoria	Lead-Support Services, SFSU Foundation
Jo Volkert	Associate Dean, College of Extended Learning
Edwin Waite	Director of Employee Relations, Human Resources
Larry Ware	Controller/Director of Administration – SFSU Foundation
Gerald West	Dean, Faculty Affairs and Professional Development
Burkland Wong	Manager, Special Funds Accounting, Fiscal Affairs