

**CONTINUING EDUCATION**  
**CALIFORNIA STATE UNIVERSITY,**  
**BAKERSFIELD**

**Report Number 99-17**  
**August 19, 1999**

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## **ABBREVIATIONS**

CE	Continuing Education
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CSU	California State University
CSUB	California State University, Bakersfield
EE	Extended Education
EUD	Extended University Division
EO	Executive Order
MOU	Memorandum of Understanding
SAM	State Administrative Manual
SUAM	State University Administrative Manual

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## INTRODUCTION

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### 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 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;

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## INTRODUCTION

- □ 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.

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## 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 California State University, Bakersfield, the Extended University Division (EUD) Office manages the Continuing Education program.

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## OPINION

We visited the California State University, Bakersfield campus from May 10, 1999, through June 11, 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.

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## **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]**

#### **FISCAL SERVICES [6]**

The Extended University Division (EUD) utilized the CSU Bakersfield (CSUB) Foundation to provide fiscal services for various non-credit programs. Maintaining continuing education funds in the continuing education revenue fund (CERF) or in local trust accounts reduces the risk of inappropriate management of state funds and loss of interest earnings and other revenues that are based on foundation charges.

#### **ACADEMIC DEPARTMENTS [7]**

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 Extended Education Division (EUD) 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 [8]**

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

### **FEE SETTING, COLLECTION AND RECONCILIATION [10]**

#### **CASH RECEIPTS [10]**

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## INTRODUCTION

Employees no longer with the Extended University Division (EUD) knew the combination to the safe located in the EUD office. Adequate controls over cash receipts reduce exposure to loss from inappropriate acts.

### **REFUND OF PROGRAM FEES [11]**

The Extended University Division (EUD) refund-processing fee was not in compliance with Title 5 requirements. Establishing a refund policy in compliance with Title 5 requirements reduces the risk of improper refunds.

### **ENROLLMENT AND STUDENT RECORDS [12]**

A non-discrimination statement was not included in Extended University Division (EUD) catalogs, and information regarding the disabled students services office was not included in EUD catalogs or on registration forms. Including the required statements ensures compliance with federal regulations and provides disabled students with information regarding required assistance.

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

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

#### **FISCAL SERVICES**

The Extended University Division (EUD) utilized the CSU Bakersfield (CSUB) Foundation to provide fiscal services for various non-credit programs.

EUD previously used the foundation to provide fiscal services for non-credit extension programs. Although a majority of these programs have been transferred to the continuing education revenue fund (CERF), six programs and their corresponding retained earnings continue to be maintained in the foundation. As of May 25, 1999, balances in these program accounts totaled \$171,397. The foundation assesses an annual service charge of 4% of gross revenue and retains all interest income.

Education Code §89704 states that, notwithstanding any other provision of law to the contrary, revenues received from extension programs, special session, and other self-supporting instructional programs may be deposited into 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 §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 perform workshops, conferences, institutes, and instructionally related programs.

The EUD dean stated that the decision to initiate accounts at the CSB Foundation was based on the ability to process transactions more efficiently. He further stated that the campus commenced transferring balances from EUD foundation accounts to the CERF prior to the audit and plans to transfer the remaining balances to the CERF.

Maintaining continuing education funds in the foundation increases the risk of inappropriate expenditures of state funds and loss of interest and other revenues that are based on foundation charges.

#### **Recommendation 1**

We recommend that the campus transfer the six programs and balances from EUD foundation accounts to the CERF or into local trust accounts.

### **Campus Response**

In March of 1998, CSUB, Foundation, and Continuing Education personnel met and began the process of reviewing accounts currently established in the Foundation, which could appropriately be transferred to the State accounting system, in accordance with State regulations and CSU policy. As the campus and the CSB Foundation began the year end closing process for FY 1998-99 they were committed to reviewing accounts and preparing documentation to insure the transfers would be completed by the end of the 1<sup>st</sup> quarter of FY 1999-00. The campus and CSB Foundation personnel concur with the auditor's recommendation to move the six programs and balances specified in the audit work papers from EUD foundation accounts to the CERF or local trust accounts. The campus is scheduled to complete the initial transfer of the six accounts by September 30, 1999.

### **ACADEMIC DEPARTMENTS**

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 Extended Education Division (EUD) and operated through the continuing education revenue fund (CERF) or state trust.

A discussion with the director of elementary education disclosed that the School of Education led a committee sponsoring a conference on the campus that offered one-quarter of university credit to the participants. Receipts from the conference were deposited into a trust account at the CSU Bakersfield Foundation. As of June 4, 1999, the balance in this account was \$19,847.

Education Code §89704 states that, notwithstanding any other provision of law to the contrary, revenues received from extension programs, special session, and other self-supporting instructional programs may be deposited to 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 deposited into and maintained in local trust accounts or in trust accounts in accordance with §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 vice president of academic affairs stated that the campus does not have a written policy on the administration of instructional credit and non-credit self supported programs.

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

### **Recommendation 2**

We recommend that the campus:

- a. establish procedures to ensure that all campus sponsored self-supporting instructional programs, including 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 all campus sponsored self-supporting instructional activities to the CERF or into state trust accounts; and
- c. deposit and retain all future revenues from campus sponsored self-supporting instructional activities directly into the CERF or into state trust accounts.

### **Campus Response**

- a. The campus has drafted a policy to ensure all campus sponsored self-supporting instructional programs, including conferences and workshops, are managed in accordance with CSO directives and the Education Code. The draft policy has been reviewed and is supported by the Continuing Education personnel. The policy has not completed the campus review and approval process, but we will continue to proceed with this process and anticipate campus adoption and presidential approval by December, 1999. We have submitted a copy of the draft policy with our response.
- b. In addition, the campus will continue to review accounts in the Foundation to determine if other continuing education programs should be transferred and will make any transfers required by December 1999.
- c. The campus will work with Foundation personnel to devise a procedure which will insure inappropriate accounts are not established and that all deposits of future revenue from campus sponsored self-supporting instructional programs & activities are deposited directly into CERF and/or local trust accounts previously established for those activities. This policy will be worked in accordance with the Foundation Office conversion to the FRS system and anticipated completion is December 1999.

## **REVENUE DISTRIBUTION AND RETAINED EARNINGS**

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

- ▶ □ General fund reimbursement for campus administrative support services is provided via an allocation of 4.4% of EUD revenue to the offices of business and administrative services; information resources; admission and records; and academic affairs. In addition, the EUD dean manages certain state general fund resources, and EUD is reimbursed 25% of his salary. Total reimbursement meets and exceeds CSU directive requirements. However, no written agreement existed between the campus and EUD to define the basis and rationale for the valuation of services.
- ▶ □ General fund reimbursement for summer session is not differentiated from the rest of the academic year. As a result, total reimbursement for summer session does not meet CSU directive requirements.

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

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. In the absence of specific CSU policy, recovery for the costs 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 assistant vice president of fiscal and support services stated that a study conducted approximately six years ago determined that a 4.4% reimbursement for campus administrative support services should be made and deposited into the general fund. The provost and vice president of academic affairs stated that the written agreement for the 25% reimbursement of the EUD dean's salary does not include the basis and rationale for the valuation of services.

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

### **Recommendation 3**

We recommend that the campus:

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

### **Campus Response**

(a, b & c): The campus is currently in the process of preparing a written agreement with EUD that establishes the amount that EUD will reimburse the General Fund for support services, in accordance with SUAM and CSU policy. This agreement will contain the basis and rationale for the amount charged to EUD to insure that it is reasonable. To do this the Accounting Department will perform cost analysis for the various campus departments that provide services to EUD. The Accounting Department is also requesting feedback from the various departments to insure that all costs associated with the EUD program are included in the analysis. It is anticipated that a new written agreement between the campus and EUD will be in place by the end of November 1999, and will be the responsibility of the Accounting Department to maintain, adjust and have on file all these agreements.

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

### **CASH RECEIPTS**

Employees no longer with the Extended University Division (EUD) knew the combination to the safe located in the EUD office.

SAM §8024 requires that:

- As few persons as possible consistent with operating requirements know the safe combination.
- A record be kept showing: (a) the date the combination last was changed and (b) the names of persons knowing the present combination.
- The combination will be changed when it becomes known to an excessive number of employees, or if any employee having knowledge of the combination leaves the employ

of the agency or no longer requires the combination in the performance of his or her duties.

The assistant to the EUD dean stated that the department is unaware of the requirement to change the safe combination.

Inadequate control over cash receipts increases exposure to loss from inappropriate acts.

#### **Recommendation 4**

We recommend that the campus change the combination to the EUD safe and establish procedures to change safe combinations in compliance with SAM requirements.

#### **Campus Response**

The campus has a written policy, revised in June 1999, which is provided to satellite cashier centers. This is issued to insure these areas are informed about State and CSU regulations, and other appropriate regulations for responsibly handling cash. The campus revised the policy to include verbiage regarding the need to change safe combinations when personnel leave the employment of our institution. The Dean of EUD was aware of this requirement and inadvertently overlooked the need to change the combination after recent departures of applicable personnel. On July 22<sup>nd</sup> the EUD safe combination was changed by Snider's Locksmith Service in order to bring closure to this finding. The revision of the satellite cashier procedures will insure this requirement is communicated to the various departments and minimize the chances of this happening in the future.

### **REFUND OF PROGRAM FEES**

The Extended University Division (EUD) refund-processing fee was not in compliance with Title 5 requirements.

Students who preregister and drop before class starts receive a full refund minus \$25.

Title 5 §41802 provides specific refund formulas for special session and extension course tuition fees and states that the refund fee should range between \$0 to \$20.

CSU directive BA 89-10, *Extension Fee Refund Policy; Amendment to Title 5 of the California Code of Regulations*, dated April 7, 1989, states that the campus is authorized to withhold an amount equal to \$0 to \$20 per course from a fee refund when a student withdraws from an extension course and applies for the refund prior to the day of the first class session.

The EUD dean stated that he was unaware of the refund-processing fee range.

Non-compliance with refund processing fee requirements results in improper refunds.

### **Recommendation 5**

We recommend that the campus revise the refund policy for EUD students who preregister and withdraw before a class begins to agree with Title 5 and CSU regulations.

### **Campus Response**

The EUD refund fees were approved by the Campus Fee Committee without realizing the fees were limited by Title 5, unless appropriate documentation could defend a higher fee. The Title 5 requirements will be shared with the Fee Committee to eliminate repeat occurrences. The EUD personnel have administratively reduced the refund processing fee to \$20.

## **ENROLLMENT AND STUDENT RECORDS**

A non-discrimination statement was not included in Extended University Division (EUD) catalogs, and information regarding the disabled students services office was not included in EUD catalogs or on registration forms.

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 extension program bulletins should contain a non-discrimination statement as required by federal regulations. All applications and registration forms should contain contact information for the disabled student services office.

The EUD dean stated that the required disclosures were inadvertently excluded from EUD catalogs and registration forms.

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

### **Recommendation 6**

We recommend that the campus ensure that a non-discrimination statement is included in all EUD catalogs, and information regarding the disabled students services office is included in all EUD catalogs and on registration forms.

### **Campus Response**

The required disclosures were inadvertently excluded from some EUD publications. All Program Coordinators have been instructed to review their marketing materials and other publications carefully to ensure that the appropriate statement(s) are included. The Coordinator of Marketing has been assigned the specific responsibility to monitor and include the statement(s) in all materials that are

prepared by her office. Variations, appropriate to the type of program or activity, of the following statement will be included in all EUD publications as of September 1999:

*EUD/CSUB does not discriminate on the basis of race, color, national origin, gender, physical handicap, or sexual orientation in the programs or activities it conducts. Students admitted to programs with physical, perceptual, or learning disabilities will be given the necessary accommodations provided their disability has been verified by the CSUB Office of Services for Students with Disabilities (661/664-3360).*

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Tomás A. Arciniega	President
Julia Bavier	Accounts Receivable
Jane Bedford	Accounting Manager
Bryon Bell	Extension Program Coordinator
Denise Bell	Accounting/Grants/Contract Manager, CSB Foundation
Joe Butkiewicz	Accountant
C. Randal Bye	Manager, CSB Foundation
Fred Dorer	Provost and Vice President of Academic Affairs
Lilia Flores	Student Records, Extended University Division
Gary Gleed	Accounting Officer
Lilly Hagen	Student Accounts, Extended University Division
George Hibbard	Vice President of Student Affairs
Antoinette Jacobs	Math, Science and Technology Coordinator
Melinda Manett-Jackson	Accounts Payable
Janet Martin	Payroll Director
Michelle Mills	Associate Budget Analyst, Fiscal and Support Services
Michael Neal	Vice President of Business and Administrative Services
Mary Lou Nevin	Director of Elementary Education
Thomas Orr	Regional Programs Coordinator
David Ost	Dean of Extended University Division
Shir Lee Plater	Financial Aid Account Tech III
Jan Rogers	Assistant to the Dean of Extended University Division
Karen Stotts	Account Tech III
Sharon Taylor	Assistant Vice President of Fiscal and Support Services
Jan Titus	Director of Intensive English Language Center