

CONTINUING EDUCATION
HUMBOLDT STATE UNIVERSITY

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ABBREVIATIONS

CE	Continuing Education
CERF	Continuing Education Revenue Fund
CSU	California State University
EE	Extended Education
HSU	Humboldt State University
OEE	Office of Extended Education
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 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 Humboldt State University, the Office of Extended Education (OEE) manages the Continuing Education program.

OPINION

We visited the Humboldt State University campus from July 6, 1999, through July 30, 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]

The Office of Extended Education (OEE) utilized the Humboldt State University (HSU) Foundation to provide fiscal services for various programs without proper written authority. Maintaining continuing education funds in the continuing education revenue fund (CERF) or state trust accounts and ensuring that written agreements define services authorized between the OEE and HSU Foundation decreases the risk of inappropriate management of state funds.

REVENUE DISTRIBUTION AND RETAINED EARNINGS [7]

The allocation of concurrent enrollment revenue was not properly documented. Documenting concurrent enrollment allocation not only ensures that academic departments are fully compensated for costs incurred in support of OEE programs, but it also decreases the risk of misunderstandings between academic departments and the OEE.

FEE SETTING, COLLECTION AND RECONCILIATION [8]

Internal controls over revenue reconciliations were not adequate. Reconciling revenues received to those recorded in the continuing education revenue fund (CERF) or state trust in a timely manner and properly documenting reconciliations increases accountability and decreases the risk that errors or misappropriation of funds will not be detected.

COURSE SELECTION AND MANAGEMENT [9]

Students participating in international exchange programs were not required to provide a medical fitness statement, proof of health and accident insurance covering foreign travel, and a release and hold harmless statement. Obtaining the required documentation decreases exposure to liability.

ENROLLMENT AND STUDENT RECORDS [10]

Information regarding the disabled student services office was not included on Office of Extended Education (OEE) registration forms or in extension program catalogs. Inclusion of this information provides disabled students with information regarding required assistance.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CONTINUING EDUCATION PROGRAMS AND ADMINISTRATION

The Office of Extended Education (OEE) utilized the Humboldt State University (HSU) Foundation to provide fiscal services for various programs without proper written authority.

Revenues from extension programs were deposited into a number of OEE accounts maintained in the HSU Foundation. Corresponding program expenses were paid from these accounts. As of May 31, 1999, the OEE had 79 foundation accounts with balances totaling \$234,185. The foundation assesses an administrative fee of 5.5% of expenditures and retains all interest income. Administrative fees for the nine months ending March 31, 1999 totaled \$23,682.

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 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. However, any such services required from an auxiliary should be properly documented in a contract.

The OEE director stated that many extension programs are co-sponsored with the HSU Foundation. He further stated that the foundation serves as a partner for these programs.

Maintaining continuing education funds in the foundation without a written agreement that clearly defines the services to be provided increases the risk of inappropriate expenditures of state funds and loss of interest and other revenues that are based on foundation overhead charges.

Recommendation 1

We recommend that the campus:

- a. transfer balances from OEE foundation accounts to the CERF or into local trust accounts; and
- b. establish a written agreement between the OEE and the HSU Foundation that fully defines services, reimbursement procedures and related fees, should any future foundation services be required.

Campus Response

As noted during the audit, most courses and programs that were previously offered through the HSU Foundation are now being operated through CERF. The OEE is working with the HSU Foundation develop a timeline for transferring the balance of funds held in the Foundation and depositing them into CERF or our local trust account. The timing of the actual transfer will be dependent on cash flow considerations for the Foundation, but will be completed by the end of the current fiscal year.

We will develop a model written agreement between the OEE and HSU Foundation that fully defines services, reimbursement procedures and related fees. The model agreement will be prepared by March 31, 2000 and will be executed as needed for any programs requiring Foundation services.

REVENUE DISTRIBUTION AND RETAINED EARNINGS

The allocation of concurrent enrollment revenue was not properly documented.

The Office of Extended Education (OEE) allocates 25% of concurrent enrollment revenue to corresponding academic departments and \$30,000 to the campus for classroom usage. Although written campus president approval has been obtained for the \$30,000, there was no documentation to support the 25% allocation.

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 OEE director stated that the agreement was verbal and approved by the campus president, but supporting documentation for the approval could not be located.

Lack of documentation for concurrent enrollment allocation could result in academic departments not being fully compensated for costs incurred in support of OEE programs, in addition to misunderstandings between academic departments and the OEE.

Recommendation 2

We recommend that the campus:

- a. prepare appropriate written documentation to support the allocation of concurrent enrollment revenue; and
- b. maintain the written documentation on file in the campus business office.

Campus Response

Current allocation procedures will be reviewed and a new policy developed regarding the allocation of concurrent enrollment revenue. After appropriate campus consultation, written documentation of the allocation method will be prepared and approved by the end of the current academic year. The written documentation will be kept on file in the campus business office.

FEE SETTING, COLLECTION AND RECONCILIATION

Internal controls over revenue reconciliation were not adequate. We noted that:

- ▶ Revenue reconciliations were not performed in a timely manner. Although the OEE reconciles concurrent enrollment revenue to enrollments in the following academic term, the most recent revenue reconciliation for other programs was for the Summer 1998 term.
- ▶ Concurrent enrollment reconciliations did not include names of the preparer and reviewer and dates of preparation and review.

SAM §7900 requires that all reconciliations be prepared within 30 days of the preceding month.

SAM §7908 requires that all reconciliations show the name of the preparer and the reviewer. In addition, the date prepared and reviewed should be shown on the reconciliation.

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

SAM §20003 states that 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 OEE director stated that, due to the lack of access to online financial and enrollment data, the staff was not able to reconcile tuition fees to enrollment records in a timely manner. He further stated that the OEE staff is working with fiscal affairs and computing and telecommunication services to improve the efficiency of the reconciliation process.

Failure to reconcile revenues to those recorded in the CERF or state trust in a timely manner and properly document such reconciliations decreases accountability and increases the risk that errors or misappropriation of funds will not be detected.

Recommendation 3

We recommend that the campus:

- a. establish procedures to reconcile revenue received for all continuing education programs to revenue recorded in the CERF or trust accounts within 30 days of the preceding academic term; and
- b. include the names of the preparer and the reviewer, along with the dates prepared and reviewed, on the reconciliation.

Campus Response

As noted in the audit, the OEE staff has been working to develop improved procedures for enrollment and revenue reconciliations. New accounts have already been established in the student information system and the financial reporting system to enable more timely reconciliations. By the end of the current academic year, procedures will be in place to reconcile revenue received to revenue recorded within 30 days of the conclusion of the semester. The reconciliation will include the names of the preparer and the reviewer, along with the dates prepared and reviewed.

COURSE SELECTION AND MANAGEMENT

Students participating in international exchange programs were not required to provide a medical fitness statement, proof of health and accident insurance covering foreign travel, and a release and hold harmless statement.

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 proof of health and accident insurance covering foreign travel.

Executive Order #590, *Student Air Travel*, dated March 26, 1992, states that all students participating in CSU – affiliated programs which require air travel shall be required to sign a “Release and Hold-Harmless Statement” certifying that they have been informed of the risks of air travel and release and hold harmless the state of California, the California State University, the campus affiliated with the program, and each and every officer, employee and agent of each of them.

The interim dean of research and graduate studies stated that oversight responsibility for the foreign study program has changed many times over the past few years.

Not obtaining the required documentation exposes to campus to liability.

Recommendation 4

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

Campus Response

Procedures have been developed and implemented to ensure that all required documentation is obtained from participants enrolled in foreign study programs. Attached are copies of the current procedures and forms being used for all foreign study programs. All participants in campus-based foreign study programs are now required to complete these forms.

ENROLLMENT AND STUDENT RECORDS

Information regarding the disabled student services office was not included on Office of Extended Education (OEE) registration forms or in extension program catalogs.

CSU directive EE 81-25/SA 81-46, *Disabled Persons Enrolled in Summer Session, Special Session, and Extension Programs*, dated August 6, 1981, states that all applications and registration forms should contain contact information for the disabled student services office.

The OEE director stated that the required disclosures were inadvertently excluded from extended education registration forms and catalogs.

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

Recommendation 5

We recommend that the campus ensure that information regarding the disabled students services office is included on all extended education office registration forms and catalogs.

Campus Response

This oversight has been corrected. The OEE bulletins and registration materials now contain information for students regarding the disabled students services office. This information will be included in all future publications. Attached are copies of the general information sections from the fall 1999 and spring 2000 bulletins. Also included is a copy of the registration confirmation form which is provided to all registered students. This form directs students to appropriate services, in addition to providing other important information.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Alistair W. McCrone	President
Kenneth Aalto	Professor, Geology
Don A. Christensen	Vice President for Development & Administrative Services
Patricia C. Clinton	Accounting Officer
Sandra K. Fedder	Payroll Officer
Ronald A. Fritzsche	Interim Dean, Research and Graduate Studies
Valerie Green	Evaluator, Enrollment Management
Doris G. Gunther	Supervisor, Accounting
James A. Hamby	General Manager, HSU Foundation
Carl Hansen	Director, Extended Education
Rosemary Hawkins	Department Secretary, Geology
Connie G. Higgins	Supervisor, Cashiering and Registration
Dixie L. Johnson	Assistant Manager, HSU Foundation
Lori Kerrigan	Manager, Financial Aid Accounting
Carolyn J. Mueller	Executive Assistant to the President
Robert Synder	Associate Professor, Philosophy
Donna K. Sorensen	Director, Fiscal Affairs
Charlotte Stokes	Provost and Vice President for Academic Affairs
Thomas A. Swanger	Program Assistant/Registration, Extended Education