

**CONTINUING EDUCATION**

**SYSTEMWIDE**

**Report Number 99-46**

**March 30, 2000**

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**ABBREVIATIONS**

BOT	Board of Trustees
CCR	California Code of Regulations
CE	Continuing Education
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CSU	California State University
CSUCO	California State University Controller's Office
DEE	Division of Extended Education
EE	Extended Education
SAM	State Administrative Manual
SUAM	State University Administrative Manual
WASC	Western Association of Schools and Colleges

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## INTRODUCTION

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### PURPOSE

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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:

- ▶ campuses maintain a clear distinction between campus owned and auxiliary owned programs and have 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

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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 received by the Trustees of the California State University from extension programs, special sessions, and other self-supporting instructional programs, including but not limited to, fees and charges required by the trustees, 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 California Government Code, or in the California State University Trust Fund."

Except as provided for in California Education Code §89704 and §89721, California Government Code §16305.2 states that "All money in the possession of or collected by any state agency or department is subject to the provisions of Sections 16305.3 to 16305.7, inclusive, and is hereafter referred to as state money." California Government Code §16305.3 states that "All state money shall be deposited in trust in the custody of the Treasurer, except when otherwise authorized by the Director of Finance, or unless deposited directly in the State Treasury." The CSU has chosen as a matter of systemwide policy to place revenues from local trust accounts in the management of Met West.

June 1997 to date was the primary period of review.

Our focus involved a wide variety of issues dealing with CERF operations as a self-supporting entity. Specifically, we reviewed and tested:

- ▶ use of the foundation for the administration and management of Continuing Education programs;
- ▶ budgeting procedures, fee authorization, and the selection and management of courses including technology delivered distance education;
- ▶ management of faculty workload and payments to faculty and other instructors;
- ▶ enrollment procedures and maintenance of student records;
- ▶ procedures for controlling and processing cash receipts, refunds, dishonored checks, and other debts;
- ▶ procedures for controlling and processing cash disbursements, reimbursements to the general fund and revenues shared with academic departments; and
- ▶ reporting of continuing education activity and the maintenance of the CERF contingency reserve.

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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 (BOT) at its January 1998 meeting. In January 1999, the BOT directed the Office of the University Auditor to expand its review to all CSU campuses. 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 executive vice chancellor and chief financial officer 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.

Systemwide revenue from the CSU Continuing Education program has increased 275% from the previous audit in 1984 and 19% and 15%, respectively, for the last two fiscal years. Systemwide revenues since FY 1984-85 are as follows:

<u>Year</u>	<u>Systemwide Revenue</u>	<u>% Increase Over Prior Year</u>
1998-99	\$141,021,233	15.2%
1997-98	122,363,528	19.3%
1996-97	102,553,019	9.6%
1995-96	93,609,893	13.2%
1994-95	82,702,958	4.6%
1993-94	79,051,341	7.5%
1992-93	73,545,657	9.5%
1991-92	67,165,752	10.3%
1990-91	60,882,607	9.7%
1989-90	55,475,175	9.9%
1988-89	50,498,294	8.8%
1987-88	46,418,490	8.0%
1986-87	42,962,126	10.0%
1985-86	39,064,670	4.0%
1984-85	37,566,864	-

Prior to July 1, 1991, campuses closed continuing education revenue fund (CERF) net revenues to retained earnings, which were subsequently transferred to the CSU Controller's Office (CSUCO) and maintained centrally along with a systemwide CERF fund. Effective FY 1991-92, management of retained earnings was delegated to the campuses, and the CSUCO made a one-time transfer of the existing accumulated balances from the CSUCO books to the campus books. The systemwide CERF fund was retained in the CSUCO.

Campus retained earnings have increased 237% since FY 1991-92 compared to a 110% increase in systemwide revenue. The large increase in retained earnings in FY 1998-99 from the prior year is partly attributable to campuses transferring non-credit program revenues from auxiliary accounts as a result of the campuses reviewed in 1998. Based on this solid growth pattern, the CSU Continuing Education program is considered financially sound. Yearly growth in systemwide revenue and retained earnings since the decentralization of campus retained earnings are as follows:

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<u>Year</u>	<u>Systemwide Revenue</u>	<u>% Increase Over Prior Year</u>	<u>Campus Retained Earnings</u>	<u>% Increase Over Prior Year</u>
1998-99	\$141,021,233	15.2%	\$58,367,380	38.4%
1997-98	122,363,528	19.3%	42,181,293	18.9%
1996-97	102,553,019	9.6%	35,483,654	19.0%
1995-96	93,609,893	13.2%	29,807,484	15.7%
1994-95	82,702,958	4.6%	25,754,652	-3.0%
1993-94	79,051,341	7.5%	26,542,070	11.0%
1992-93	73,545,657	9.5%	23,904,069	38.0%
1991-92	67,165,752	-	17,319,214	-

Administration of the CSU Continuing Education program includes the Division of Extended Education (DEE) in the Chancellor's Office and individual campus units. In addition, the Commission on the Extended University, established in 1977, is charged with facilitating, promoting and encouraging continuing education programs within the CSU. 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.

## OPINION

We visited all CSU campuses from March 9, 1998, through October 8, 1999, and audited the procedures in effect at that time.

We found that the campuses were in general compliance with applicable State of California, CSU and individual campus directives. Campus specific findings and recommendations have been discussed and reported individually. The findings presented below have systemwide implications. Most of these findings are due to a lack of comprehensive systemwide procedures and guidelines. They are intended to identify and mitigate issues that affect the administration of the CSU Continuing Education program, control over continuing education revenue, and the management of other campus-sponsored programs.

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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.

### **STATE UNIVERSITY ADMINISTRATIVE MANUAL [7]**

Continuing education (CE) policies and procedures contained in the State University Administrative Manual (SUAM) were outdated and incomplete. Current and complete policies and procedures reduce the risk of misunderstandings and inconsistencies in complying with state and CSU systemwide policy.

### **CODE CONFLICTS AND AMBIGUITIES [8]**

Perceived conflicts and ambiguities between and within various state codes resulted in different interpretations and compliance among CSU continuing education operations. Removal of conflicts and ambiguities between state codes reduces the risk of inconsistencies in interpretation and compliance among CSU continuing education operations.

### **CONTINUING EDUCATION REPORTING [10]**

Campus reporting requirements to the Chancellor's Office needed to be redefined. Establishing a satisfactory system of internal administrative control ensures operational efficiency and compliance with management policies.

### **PROFESSIONAL DEVELOPMENT CREDIT [11]**

Professional development credit was awarded at many campuses without state or CSU authorization. Awarding only authorized course credit ensures compliance with CSU systemwide policy and Western Association of Schools and Colleges (WASC) accreditation standards.

### **TITLE 5 REFUND POLICY [12]**

The California Code of Regulations (CCR) Title 5 refund policy regarding continuing education was outdated. Maintaining a current refund policy results in operational efficiencies and provides good customer service.

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## OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

### STATE UNIVERSITY ADMINISTRATIVE MANUAL

Continuing education (CE) policies and procedures contained in the State University Administrative Manual (SUAM) were outdated and incomplete.

The existing SUAM sections for CE were dated between July 1987 and June 1988, and were the only compilation of systemwide policies and procedures for the CSU continuing education program. Although revisions to a few sections were drafted in 1994, they were never formalized. We noted that:

- ▶ The SUAM included references to 21 Executive Orders and CSU directives that were entirely or partially outdated (See Appendix B).
- ▶ Some SUAM sections were completely outdated (e.g., 1501.01.05, 1504.01 and 1505) as well as several topics (e.g., Periodic Financial Reporting, Accounting/Budgeting, and Retained Earnings/Contingency Reserve).
- ▶ Some topics were not referenced in the SUAM but considered standard practice at most campuses or topics for which campuses have received minimal guidance (e.g., use of auxiliary organizations in the conduct of CE programs, academic department sponsorship of CE activity, professional development credit, contract credit and revenue sharing).
- ▶ Some topics were not referenced in the SUAM due to their recent nature (e.g., the Taxpayer Relief Act of 1997 and the use of local trust accounts).

In February 1997, the CSU Task Force Report on Continuing Education was issued to all campus presidents. The task force considered issues raised by a Bureau of State Audits report and reviewed existing policies and statutes impacting the CSU continuing education program. The task force also identified recommended changes to better align CSU policies with existing statutes related to the appropriate activities of auxiliary organizations as they relate to campus CE programs. Although the executive vice chancellor and chief financial officer indicated that the campuses would be expected to abide by the recommendations, some campuses contended that the task force recommendations were not officially issued as CSU policy.

SAM §20003 states that policy and procedural or operational manuals that are either not currently maintained or are nonexistent will usually be indicative of a poorly maintained or vulnerable control system.

A lack of current and complete policies and procedures increase the risk of misunderstandings and inconsistencies in complying with state and CSU systemwide policy.

### **Recommendation 1**

We recommend that the Chancellor's Office establish procedures to ensure that a codified policy manual consistently reflects current state and systemwide policy and the current operating environment for continuing education operations.

### **Recommendation 2**

We recommend that the Chancellor's Office assess and affirm the recommendations of the CSU Task Force on Continuing Education and develop them into a systemwide policy as appropriate.

### **Management's Response**

We concur with the recommendations to reestablish a codified policy manual that represents current extended/continuing education practice. Since self-support programs are closely related to regular campus academic operations, it is essential that new policies reflect changes in General Fund operations, and yearly flexible programs and services.

The review and updating of extended/continuing education practice will require consultation with the Commission on the Extended University, a Title 5 entity established to "advise the Chancellor on matters relating to Extended Education." The Chancellor's Office will initiate this review process with the intent of sharing new policy recommendations with the primary constituent groups within the Commission: Presidents, Academic Vice Presidents, the Academic Senate, and campus deans and directors of extended education. The response to these two recommendations will be completed by March 15, 2001.

## **CODE CONFLICTS AND AMBIGUITIES**

Perceived conflicts and ambiguities between and within various state codes resulted in different interpretations and compliance among CSU continuing education operations.

Our audit disclosed various perceived conflicts and ambiguities between and within the Education Code, California Code of Regulations (CCR) and the California Government Code. These conflicts and ambiguities were as follows:

- ▶ The Education Code and Title 5 of the CCR did not adequately define "other self-supporting instructional programs" and "instructionally related programs and activities." As a result, many campuses operated non-credit courses, workshops and conferences through an auxiliary organization stating that Title 5 gave them the authority to do so.
- ▶ Neither the Education Code nor Title 5 of the CCR addressed the issue of program ownership/sponsorship. As a result, revenue from campus owned/sponsored continuing

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education activities, including workshops and conferences, was frequently deposited in auxiliary organizations rather than in the CERF or other state account.

- ▶ Title 5 §42500 did not clearly define “externally funded.” As a result, many campuses felt that if an instructional program involved a contract, the program should be operated through an auxiliary organization even if the program was campus sponsored.

Education Code §89704 states that, notwithstanding any other provision of law to the contrary, revenues received from extension programs, special sessions, and other self-supporting instructional programs may be deposited in the Continuing Education Revenue Fund (CERF). Prior to January 1, 1999, such revenues had to be deposited in the CERF.

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

Title 5, §42500 (a) of the CCR states that the following functions have been determined by the Board to be appropriate for auxiliary organizations to perform in accordance with applicable policies, rules, and regulations.... (7) Externally Funded Projects Including Research, Workshops, Conferences, and Institutes and (8) Instructionally-related Programs and activities, including Agriculture, Athletics, Radio and Television Stations, Newspapers, Films, Transportation, Printing and other Instructionally Related Programs and Activities....

California Government Code §16305.2 states that all money in the possession of or collected by any state agency or department is subject to the provisions of Sections 16305.3 to 16305.7, inclusive, and is hereafter referred to as state money. §16305.3 states that all state money shall be deposited in trust in the custody of the Treasurer, except when otherwise authorized by the Director of Finance, or unless deposited directly in the State Treasury.

Failure to eliminate conflicts and ambiguities between state codes will perpetuate inconsistencies in interpretation and compliance among CSU continuing education operations.

### **Recommendation 3**

We recommend that the Chancellor’s Office:

- a. establish definitive guidelines for “other self-supporting instructional programs” and “instructionally related programs and activities” to be operated in accordance with the Education Code and Title 5 of the CCR, respectively; and
- b. specifically address the issue of program ownership/sponsorship and revenue handling.

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### **Management's Response**

We concur with the recommendation. Decisions made to designate "other instructional self-supporting programs" to and through campus extended/continuing education units or other administrative mechanisms are campus prerogative. The Chancellor's Office will consult with Presidents and Provost's/Vice Presidents for Academic Affairs to clarify issues and develop new guidelines. The response to this recommendation will be completed by March 15, 2001.

## **CONTINUING EDUCATION REPORTING**

Campus reporting requirements to the Chancellor's Office needed to be redefined.

Campus reporting requirements previously included annual enrollment projections, quarterly activity reports and a comprehensive annual report that the Division of Extended Education (DEE) used to prepare the Continuing Education Statistical Digest. The aforementioned reporting requirements were reduced beginning in 1994 and completely eliminated by late 1998 due to a DEE staff reduction. Currently, the DEE state university dean received continuing education revenue fund (CERF) and local state trust financial data by campus from the CSU Controller's Office (CSUCO).

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

The DEE state university dean stated that the periodic reports had lost some value since the CERF budgeting process had been decentralized. He further stated that the information was not used by the CSUCO, and most campus continuing education units put no value in the reports.

The absence of a satisfactory system of internal administrative control increases the risk of operational inefficiency and non-compliance with management policies.

### **Recommendation 4**

We recommend that the Chancellor's Office evaluate campus reporting requirements, taking into consideration DEE responsibilities and expectations, and determine how campus reporting requirements can be redefined to optimize the effectiveness of the DEE.

### **Management's Response**

We concur with the recommendation. A number of self-supporting instructional programs, particularly those dealing with teacher preparation and teacher certification have new reporting obligations per the terms of ACR 81. It will be necessary to coordinate campus reporting for state and self-supporting operations to and through, CSU Analytical Studies. Accordingly, policy review

will occur both in the Office of the Chancellor and the Commission on the Extended University. The response to this recommendation will be completed by March 15, 2001.

## PROFESSIONAL DEVELOPMENT CREDIT

Professional development credit was awarded at many campuses without state or CSU authorization.

A systemwide survey of the use of professional development credit conducted in October 1998 disclosed that such credit is typically a specific numbered course series that is recorded on university transcripts; however, only in rare cases and at the discretion of the academic unit is it counted towards a degree. The consensus of the surveyed parties was that it has been used since the late 1960's and was geared towards teachers needing formal designation of professional development activity. Apparently, the introduction of the continuing education unit (CEU) at CSU was designed to give campuses an option in this area. However, 10 of 19 survey responses indicated that the professional development credit continues to be used, and there was some indication that the CEU is not accepted by all school boards.

Executive Order No. 255, *Provisions Governing Implementation of the Continuing Education Unit Within the CSU*, dated October 8, 1976, states that campuses may use the CEU as a uniform standard of measurement for non-credit extension program activities.

The DEE state university dean stated that he was not aware of any provision in Title 5 of the California Code of Regulations (CCR) or CSU Executive Order citing authority for the use of the professional development credit.

Awarding a course credit that has not received state or CSU authorization violates systemwide policy and risks non-compliance with Western Association of Schools and Colleges (WASC) accreditation standards.

### Recommendation 5

We recommend that the Chancellor's Office evaluate the use of the professional development credit in light of the nationally recognized CEU and WASC standards and develop a systemwide policy regarding its future use.

### Management's Response

We concur with the recommendation. Campus extended/continuing education units will be asked to thoroughly review all practices relating to the granting of professional development credit. A deans subcommittee has been established, to develop findings and recommendations which will be presented to the Commission on the Extended University at the first fall (2000) meeting. The Commission will report findings by March 15, 2001.

## **TITLE 5 REFUND POLICY**

The California Code of Regulations (CCR) Title 5 refund policy was outdated.

CCR Title 5 §41802 was last amended in 1988. Since that time, many advances have been made in the delivery of classes and systematic processing of refunds, including changes in the nature of continuing education activities and more focus on customer service. For example, specified refund formulas do not always match non-credit course lengths, and requiring distance learning students to submit written requests for refunds does not represent good customer service.

CCR Title 5 §41802 requires, in part, that a written refund application be delivered within specified time limits and provides specific refund formulas based on the session length or number of meetings.

An outdated refund policy results in operational inefficiencies and poor customer service.

### **Recommendation 6**

We recommend that the Chancellor's Office review and update the CCR Title 5 refund policy to reflect the current operating environment.

### **Management's Response**

We support this recommendation. The current refund policy assumes traditional in-person registration, while electronic and remote access have modified fee-paying practices, both on and off-campus. New policy will be needed to address operating standards in regular academic operations as well. Campuses will be asked to provide policy recommendations. Changes will be proposed to the Commission on the Extended University for review and approval. The response to this recommendation will be completed by March 15, 2001.

### **Overarching Management Response to Recommendations 1 through 6**

We concur with the six recommendations emanating from the audit of the Continuing Education Revenue Fund (CERF). The audit has identified outdated policy in a number of areas, and inconsistent applications in the use and awarding of credit for professional clientele. Campuses will be asked to review policy and make recommendations to the Commission on the Extended University. We expect all recommendations to be addressed by March 15, 2001.

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**APPENDIX A:  
PERSONNEL CONTACTED**

CHANCELLOR'S OFFICE

Gary Hammerstrom	Assistant Vice Chancellor (Interim), Academic Affairs
Charles Lindahl	Associate Vice Chancellor, Academic Affairs
Richard Lundstedt	Associate, Division of Extended Education
Ed McAleer	State University Dean, Division of Extended Education
George Pardon	Former Director, Accounting
Bruce Richardson	Deputy General Counsel
Brad Wells	Assistant Vice Chancellor, Financial Services
Richard West	Executive Vice Chancellor and Chief Financial Officer

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## APPENDIX B:

### OUTDATED SUAM REFERENCES

ITEM	TITLE/DESCRIPTION
CE 73-02	Review of Extension Program Service Areas <b>(Status:</b> This is outdated because four newer campuses are missing: Channel Islands, Maritime Academy, Monterey Bay and San Marcos.)
CE 73-14	Program Development Projects in Continuing Education – Criteria and Procedures, Proposed Forms <b>(Status:</b> This coded memo is extremely old. A Commission on Extended Education was established in 1977. One of its responsibilities is the use of the systemwide reserve for program development projects. The Commission has its own procedures, criteria and forms.)
CE 74-16	Applied Music Program in the Extension and Summer Session Programs <b>(Status:</b> This coded memo is extremely old and is mainly related to fees. Executive Order (E.O.) #661 entitled Campus Fee Policy most recently supercedes it.)
CE 76-22/ FSA 76-78	Guidelines for Payment of Hourly Rates in Extension Program <b>(Status:</b> Superceded by the Collective Bargaining Agreement between The Board of Trustees of the CSU and the California Faculty Association.)
CE 77-05	Provisions for Extended Education in the California State University and Colleges <b>(Status:</b> This has been superceded by Agenda Item 3, Committee on Educational Policy, document entitled “Provisions on the Commission on the Extended University”, approved by the Board of Trustees on July 14, 1993.)
EE 80-03	Special Sessions <b>(Status:</b> External Degree programs are now referred to as Special Session programs.)
EE 80-28	Applied Music Program in the Extension and Summer Session Programs <b>(Status:</b> See above comments related to CE 74-16.)
EE 81-14	Criteria and Procedures Applying to Projects Funded from the Systemwide Program Development Reserve of the Continuing Education Revenue Fund <b>(Status:</b> This coded memo is extremely old. The Commission on the Extended University would govern current criteria. This Commission has evolved from the Commission on Extended Education established in 1977.)
EE 81-29	Guidelines for the Preparation of Extension and Special Session Fee and Instructional Faculty Salary Schedules and Related Marketing Plans. <b>(Status:</b> This coded memo is superceded by a variety of other items: Standing Order Chapter 3, §8, j; E.O. #569; E.O. #661; and Code Memo AD 96-06.)
FSA 82-20	Additional Employment Policy of the CSU <b>(Status:</b> Superceded by HR 97-07 and controlled by the Collective Bargaining Agreement between The Board of Trustees of the CSU and the California Faculty Association.)

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APPENDIX B (CONTINUED)  
OUTDATED SUAM REFERENCES

ITEM	TITLE/DESCRIPTION
BA 86-23	Policy on Management of the CSU Continuing Education Revenue Fund Accumulated Surplus; Procedures for Requesting and Implementing Major Project Accounts ( <b>Status:</b> This is superceded by BA 91-13.)
Agenda Item 5 July 12-13, 1977	Salary Increase Proposals for 1977-78 – Administrative, Support Staff and Other Classes ( <b>Status:</b> This is outdated since it was specific to the 1977-78 budget year.)
E.O. 165	Foreign Study Program Policies and Procedures of the CSU and Colleges - 1972 ( <b>Status:</b> Partially superceded by E.O. 550.)
E.O. 166	Admission to External Degree Programs - 1972 ( <b>Status:</b> External Degree programs are now referred to as Special Session programs.)
E.O. 209	Policies and Procedures Pertaining to Assigned Extension Program Service Areas – 1974 ( <b>Status:</b> This E.O. was done a long time ago and does not take into consideration the current explosion in technology delivered distance education.)
E.O. 298	Regulations Governing Extension Student Enrollment in Regular Session Offerings ( <b>Status:</b> Paragraph 1.01 is outdated since it refers to concurrent enrollment offerings being limited to upper division and graduate courses and to lower division courses not readily available at nearby community colleges. The current concept is "Open University" whereby an extension student can enroll in any class on a space available basis.)
E.O. 313	Financial Management of Continuing Education ( <b>Status:</b> Outdated with respect to periodic reporting requirements.)
E.O. 317	Student Air Travel ( <b>Status:</b> Superceded by E.O. 590.)
E.O. 448	Procedures Governing Self-Support Programs Conducted Through the CERF Outside the State of California ( <b>Status:</b> This E.O. references some outdated E.O.'s and the program evaluation procedures are not followed per Ed McAleer.)
E.O. 466	Special Sessions ( <b>Status:</b> The reference to External Degree programs is outdated because External Degree programs are now referred to as Special Session programs. In addition, the annual reporting requirements are not current.)

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DAVID S. SPENCE  
 EXECUTIVE VICE CHANCELLOR  
 CHIEF ACADEMIC OFFICER

May 31, 2000

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 University Auditor

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The California State  
 University

**To:** Larry Mandel  
 University Auditor

**From:** David S. Spence *David S.*  
 Executive Vice Chancellor and  
 Chief Academic Officer

**Subject:** Management Response to Recommendations of Audit Report Number  
 99-46, *Continuing Education, Systemwide*

The findings and recommendations included in the Continuing Education Audit Report Number 99-46 have been reviewed by Academic Affairs. Our response to each recommendation appears on the attachment.

We appreciate the opportunity to review and comment on the recommendations that address CSU Extended and Continuing Education policies and procedures. Please feel free to contact Ed McAleer if you have any questions about our response to the audit recommendations.

DSS/emm

Attachment

cc: Charles Lindahl  
 Gary Hammerstrom  
 Edward McAleer

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**MANAGEMENT RESPONSE TO  
ADMINISTRATION OF THE CONTINUING EDUCATION  
REVENUE FUND (CERF)**

**Report Number 99-46**  
March 30, 2000

**Recommendation 1**

We recommend that the Chancellor's Office establish procedures to ensure that a codified policy manual consistently reflects current state and systemwide policy and the current operating environment for continuing education operations.

**Recommendation 2**

We recommend that the Chancellor's Office assess and affirm the recommendations of the CSU Task Force on Continuing Education and develop them into a systemwide policy as appropriate.

**Management's Response to Recommendations 1 and 2**

We concur with the recommendations to reestablish a codified policy manual that represents current extended/continuing education practice. Since self-support programs are closely related to regular campus academic operations, it is essential that new policies reflect changes in General Fund operations, and yearly flexible programs and services.

The review and updating of extended/continuing education practice will require consultation with the Commission on the Extended University, a Title 5 entity established to "advise the Chancellor on matters relating to Extended Education." The Chancellor's Office will initiate this review process with the intent of sharing new policy recommendations with the primary constituent groups within the Commission: Presidents, Academic Vice Presidents, the Academic Senate, and campus deans and directors of extended education. The response to these two recommendations will be completed by March 15, 2001.

**Recommendation 3**

We recommend that the Chancellor's Office:

- a. establish definitive guidelines for "other self-supporting instructional programs" and "instructionally related programs and activities" to be operated in accordance with the Education Code and Title 5 of the CCR respectively, and

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- b. specifically address the issue of program ownership/sponsorship and revenue handling.

### **Management's Response to Recommendation 3**

We concur with the recommendation. Decisions made to designate "other instructional self-supporting programs" to and through campus extended/continuing education units or other administrative mechanisms are campus prerogative. The Chancellor's Office will consult with Presidents and Provost's/Vice Presidents for Academic Affairs to clarify issues and develop new guidelines. The response to this recommendation will be completed by March 15, 2001.

### **Recommendation 4**

We recommend that the Chancellor's Office evaluate campus reporting requirements, taking into consideration DEE responsibilities and expectations, and determine how campus reporting requirements can be redefined to optimize the effectiveness of the DEE.

### **Management's Response to Recommendation 4**

We concur with the recommendation. A number of self-supporting instructional programs, particularly those dealing with teacher preparation and teacher certification have new reporting obligations per the terms of ACR 81. It will be necessary to coordinate campus reporting for state and self-supporting operations to and through, CSU Analytical Studies. Accordingly, policy review will occur both in the Office of the Chancellor and the Commission on the Extended University. The response to this recommendation will be completed by March 15, 2001.

### **Recommendation 5**

We recommend that the Chancellor's Office evaluate the use of the professional development credit in light of the nationally recognized CEU and WASC standards and develop a systemwide policy regarding its future use.

### **Management's Response to Recommendation 5**

We concur with the recommendation. Campus extended/continuing education units will be asked to thoroughly review all practices relating to the granting of professional development credit. A deans subcommittee has been established, to develop findings and recommendations which will be presented to the Commission on the Extended University at the first fall (2000) meeting. The Commission will report findings by March 15, 2001.

### **Recommendation 6**

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We recommend that the Chancellor's Office review and update the CCR Title 5 refund policy to reflect the current operating environment.

#### **Management's Response to Recommendation 6**

We support this recommendation. The current refund policy assumes traditional in-person registration, while electronic and remote access have modified fee-paying practices, both on and off-campus. New policy will be needed to address operating standards in regular academic operations as well. Campuses will be asked to provide policy recommendations. Changes will be proposed to the Commission on the Extended University for review and approval. The response to this recommendation will be completed by March 15, 2001.

#### **Overarching Management Response to Recommendations 1 through 6**

We concur with the six recommendations emanating from the audit of the Continuing Education Revenue Fund (CERF). The audit has identified outdated policy in a number of areas, and inconsistent applications in the use and awarding of credit for professional clientele. Campuses will be asked to review policy and make recommendations to the Commission on the Extended University. We expect all recommendations to be addressed by March 15, 2001.

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THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR



BAKERSFIELD

CHANNEL ISLANDS

June 6, 2000

CHICO

MEMORANDUM

DOMINGUEZ HILLS

FRESNO

TO: Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed

HAYWARD

SUBJECT: Draft Final Report 99-46 on *Continuing Education*  
Systemwide

HUMBOLDT

LONG BEACH

LOS ANGELES

In response to your memorandum of June 5, 2000, I accept the response as submitted with the draft final report on the Continuing Education Audit, Systemwide.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

CBR/cw

POMONA

Enclosure

SACRAMENTO

cc: Dr. David Spence, Executive Vice Chancellor/Chief Academic Officer

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

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