

**CONTINUING EDUCATION**  
**CALIFORNIA STATE UNIVERSITY,**  
**CHICO**

**Report Number 05-14**  
**October 3, 2005**

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## **ABBREVIATIONS**

AB	Assembly Bill
ALCI	American Language and Culture Institute
CERF	Continuing Education Revenue Fund
CEU	Continuing Education Unit
CSU	California State University
CSUC	California State University, Chico
EO	Executive Order
Foundation	The California State University, Chico Research Foundation
FTES	Full-Time Equivalent Students
FY	Fiscal Year
GC	Government Code
LAIF	Local Agency Investment Fund
RCE	Center for Regional and Continuing Education
RFIN	Resolution of the Committee on Finance
sERSS	Enrollment Reporting System Self-Support
UBC	University Budget Committee

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## **EXECUTIVE SUMMARY**

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2002, the Board of Trustees, at its January 2005 meeting, directed that *Continuing Education* be reviewed. Continuing Education was last audited in 1998 and 1999.

We visited the California State University, Chico campus from March 21, 2005, through May 6, 2005, and audited the procedures in effect at that time.

In our opinion, controls within selected areas of the continuing education function were operating effectively and in compliance with existing California State University (CSU) policies, with the exception of those areas identified herein particularly pertaining to various financial arrangements such as those on reserve accumulation, revenue sharing, and indirect cost allocation.

The following summary provides management with an overview of conditions requiring 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 ADMINISTRATION [8]**

The campus was accumulating continuing education program reserves at a rate unsupported by a specific, updated utilization plan. Indirect costs were not being allocated to RCE, and there was no documentation to show that the campus cost allocation plan was reviewed annually by the chief fiscal officer. A proposed increase in revenue allocation for enrollment of non-matriculated students was neither specifically endorsed by the campus budget advisory committee nor sufficiently itemized. Two agreements concerning continuing education revenue fund (CERF) revenue distributions were executed by the previous dean of the Center for Regional and Continuing Education (RCE) and dated prior to June 2000. In addition, all continuing education funds were maintained in CERF instead of trust accounts, which limited investment options.

### **BUSINESS MODEL/CURRICULUM [13]**

Promotional materials for certain self-support continuing education programs offered by the CSU, Chico Research Foundation inappropriately associated the programs with the campus. For example, the materials prominently displayed the logo, name, pictures, and seal of the campus; linked the programs to the campus Internet domain; and identified benefits that included use of campus facilities.

### **ENROLLMENT AND STUDENT RECORDS [14]**

There were concerns about the accuracy of enrollment reports for self-support matriculants in special sessions. Although a chancellor's office report of self-support matriculants enrolled in special sessions for fiscal year 2003/04 showed zero enrolled self-support matriculants, RCE management stated that zero was incorrect.

## **FINANCIAL MANAGEMENT [15]**

The campus did not consider RCE a satellite cashiering location even though it was a major intake location for campus funds with annual receipts of approximately \$2.1 million. In addition, periodic CERF revenue reconciliations were not signed and dated by a preparer and reviewer.

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## INTRODUCTION

### **BACKGROUND**

The State University Administrative Manual §3103 describes continuing education, in part, as follows:

The California State University (CSU) has been involved in continuing education since 1932, when Fresno State College established the system's first extension program. Originally comprising only in-service instruction for school teachers, continuing education now provides an increasingly broad spectrum of services to a large number of persons who seek advanced training to help them increase their occupational competency or otherwise enrich their lives.

Continuing education encompasses such activities as extension, summer session, non-credit instructional activities, grants for community services and development, foreign study, concurrent enrollment, and external degree programs. The continuing education program includes credit and non-credit courses offered off campus as well as on campus. These courses may be part of a structured external degree program, may count toward a conventional degree, may be part of a certificate/credential program, may be oriented to specific occupations, or may be offered in response to other special interests.

Continuing education revenues accrue from student fees paid for regular courses, workshops, conferences, short courses, independent study, contract courses, and external degree programs. Additional income is available from interest on surplus funds.

All campus net operating revenues accrue to campus reserves and are continuously available, without regard to fiscal year (FY), for future campus program expenses.

Continuing education also encompasses special sessions, which are described in Executive Order (EO) 802, *Special Sessions*, dated January 31, 2002, as a means whereby CSU instructional programs can be provided to matriculated students on a self-support basis at times and locations not supported by General Fund appropriations. Examples of special sessions include interim sessions between college year terms; programs of a continuing nature offered at military bases, correctional facilities, and other distant or isolated locations; and instructional programs for a specific client group.

On a systemwide basis, continuing education is administered by a state university dean for extended education who reports through an associate vice chancellor for academic affairs to the CSU executive vice chancellor and chief academic officer. Each campus typically has a continuing education dean or other person with a similar title generally reporting through academic affairs. The terms "continuing education" and "extended education" are considered synonymous.

At the campuses, auxiliary organizations might also be involved with continuing education and offer self-supporting instructional programs subject to the limitations in EO 919, *Policy Governing Non-General Fund Receipts*, dated October 15, 2004, which states, in part, that the courses are non-credit and the

auxiliary cannot use the CSU name or representation in any manner other than where the CSU is part of the auxiliary's title.

Analytic Studies in the chancellor's office publishes a statistical report relevant to continuing education entitled, "CSU College Year Enrollment for Matriculants in Self-Support Special Sessions." Per EO 802, a matriculated student is a student who has, through normal procedures, been formally admitted to and enrolled at a CSU campus to pursue an authorized degree, credential, or certificate. An excerpt from two tables in the statistical report indicates that FY 2003/04 special session enrollments of full-time equivalent students (FTES) were as follows:

<b>Campus</b>	<b>FTES State-Support Matriculants</b>	<b>FTES Self-Support Matriculants</b>
Bakersfield	127.2	144.0
Channel Islands		
Chico	101.1	
Dominguez Hills	398.4	
East Bay	86.1	249.4
Fresno	312.2	12.8
Fullerton	348.9	36.8
Humboldt	16.0	
Long Beach	392.5	247.7
Los Angeles	34.8	
Maritime Academy		
Monterey Bay	105.2	
Northridge	955.4	58.0
Pomona	17.0	3.7
Sacramento	296.7	181.8
San Bernardino		2.1
San Diego	60.0	242.3
San Francisco	91.6	33.1
San José	183.7	513.9
San Luis Obispo	27.6	
San Marcos	14.4	
Sonoma	332.4	115.4
Stanislaus	7.7	
Total	3,908.9	1,841.0

In late 1998, the 1998 Higher Education Omnibus Act (Assembly Bill - AB 2812) was enacted. AB 2812 permitted continuing education revenues to be deposited in trust accounts instead of the continuing education revenue fund (CERF) and amended Education Code §89704 and §89721. This action provided the CSU with additional flexibility and the advantage/capability to invest continuing education funds through trust in ways that would provide a higher rate of return. The CSU Investment Policy is described in the Resolution of the Committee on Finance (RFIN) 01-97-03. The basic difference is that funds in the CERF are part of the State Treasury, which only provides investment options in the Surplus Money Investment Fund and Local Agency Investment Fund. Trust funds have been invested mainly in the Met West program, which has three account options – short-term, medium-term, and long-term.

### **PURPOSE**

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of *Continuing Education* and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Accountability for the continuing education function has been clearly defined and documented; and agreements/contracts, policies, and procedures are current, comprehensive, and aligned with relevant federal and state laws and regulations.
- ▶ Auxiliary organizations are involved in continuing education without offering academic course credits or identifying the CSU as the program provider.
- ▶ Continuing education fees are established in accordance with CSU directives, an appropriate strategy exists for development and management of CERF reserves, and controls over transfers to/from the CERF are adequate.
- ▶ Continuing education programs and courses are selected and delivered in accordance with CSU policies and state regulations, and degrees offered do not supplant state-supported degrees.
- ▶ Continuing education special sessions meet requisite CSU conditions, characteristics, and recordkeeping requirements; and out-of-state/country programs are managed in accordance with CSU policies.
- ▶ Continuing education program faculty selection processes ensure compliance with the CSU additional employment policy, and faculty compensation complies with CSU salary schedules, and collective bargaining provisions.
- ▶ Continuing education enrollment procedures, change of program, and maintenance of student records are adequate; and enrollment reporting is accurate and reliable for special sessions.

- ▶ Continuing education systems are secure, and use of social security numbers for student identification in continuing education is limited in accordance with systemwide policy.
- ▶ Non-matriculated, continuing education students have been allowed to enroll in state-supported courses only after meeting stipulated conditions.
- ▶ Programs/courses that award continuing education units (CEUs) comply with national standards and systemwide requirements.
- ▶ Internal control over continuing education cash receipts is adequate, accountability for program fees is established at the earliest possible time to prevent misappropriation of funds, and all collections are deposited intact or otherwise safeguarded in a timely manner.
- ▶ Continuing education revenues are reconciled to enrollments, and procedures exist to appropriately manage continuing education receivables and collect bad checks and other debts owed.
- ▶ Continuing education refund procedures ensure that all refunds are approved, accurately processed, and in compliance with campus policy.
- ▶ Established procedures ensure that continuing education expenditures are made only for the support and development of self-supporting instructional programs of the CSU.

## **SCOPE AND METHODOLOGY**

The proposed scope of the audit, as presented in Attachment B, Agenda Item 2 of the January 25-26, 2005, meeting of the Committee on Audit, stated that *Continuing Education* includes special sessions, extension programs, and other self-supporting instructional programs and operation of the CERF and related trust accounts. Potential impacts include loss of budgetary control, inappropriate subsidies, inaccurate reporting, and increased exposure to enforcement.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. Industrywide standards such as those by the Western Association of Schools and Colleges (*Good Practices for Electronically Offered Degree and Certificate Programs*) and the International Association for Continuing Education and Training (*Criteria and Guidelines for Quality Continuing Education and Training Programs: The CEU and Other Measurement Units*) were also considered. The audit review period was FY 2003/04 to date.

At California State University, Chico, the Center for Regional and Continuing Education reporting to the provost/vice president for academic affairs has overall responsibility for continuing education. The CSU,

Chico Research Foundation at the campus is also involved in delivery of non-credit, continuing education program offerings.

We focused primarily upon the internal administrative, compliance, and operational controls over continuing education management. Specifically, we reviewed and tested:

- ▶ Continuing education policies and procedures.
- ▶ Continuing education staffing and organization plans.
- ▶ The processes for planning, approving, and supervising continuing education activities.
- ▶ Continuing education programming decisions and selection of program offerings.
- ▶ Continuing education faculty-related matters.
- ▶ Continuing education enrollment, awarding of credit, and student recordkeeping.
- ▶ Management of continuing education funds and reserves.

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## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

### CONTINUING EDUCATION ADMINISTRATION

#### RESERVE ACCUMULATION

California State University, Chico (CSUC) was accumulating continuing education program reserves at a rate unsupported by a specific, updated utilization plan.

Recent CSUC continuing education reserve balances were as follows:

FY	BALANCE
1999/00	\$1,995,181
2000/01	\$2,985,893
2001/02	\$3,365,098
2002/03	\$4,410,676
2003/04	\$4,765,280
2004/05	\$5,265,042

In fiscal year (FY) 2004/05, CSUC reported continuing education revenue fund (CERF) revenues of \$2.1 million.

CSUC last analyzed CERF reserves in June 2003. This analysis included three categories for reserves based on needs for general contingencies, construction and equipment, and program development totaling \$3.85 million projected through FY 2005/06. A minimal amount of these funds had been expended to date.

The most recent edition of the *CSU Extended Education Policies and Operations Manual* eliminated the prior standard for reserve accumulation contained in Business Affairs coded memorandum 91-13 (a maximum contingency reserve of \$150,000 or 15% of the prior year program revenue subject to modification for major projects) and did not provide another alternative. Other CSU programs such as housing accumulate reserves earmarked for specific purposes.

The CSUC Center for Regional and Continuing Education (RCE) dean stated that the reserves were being accumulated to provide needed space. She added that current plans involved RCE renovation of Colusa Hall following relocation of the existing occupants when construction of the new student services center was completed.

Accumulation of reserves without a specific, updated utilization plan may call into question whether continuing education is self-supporting, inappropriate revenues are being generated by excessive charges/fees, and chargebacks and reimbursements to the General Fund have been properly allocated/assessed.

### **Recommendation 1**

We recommend that the campus:

- a. Update the purposes and basis for existing reserves.
- b. Review and update target reserve presentations including methodology and specific calculations.
- c. Develop processes and procedures to review reserve status and targets annually.

### **Campus Response**

We will update the purposes and basis for existing CERF reserves; review and update the reserve presentations with specific calculations; and develop procedures for annual updates.

Anticipated completion date: March 31, 2006

### **INDIRECT COSTS**

Indirect costs were not being allocated to RCE, and there was no documentation to show that the campus cost allocation plan was reviewed annually by the chief fiscal officer.

The last campus cost allocation plan was presented to the chief fiscal officer with a memorandum dated May 2, 2003, and did not include an allocation of indirect costs to RCE. The memo was not annotated to show that the plan had been reviewed and approved and no other evidence could be provided.

Executive Order (EO) 753, *Allocation of Costs to Auxiliary Enterprises*, dated July 28, 2000, states that auxiliary enterprises (such as continuing education) shall be charged the allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the university funded from the General Fund. Further, cost allocations shall be determined in accordance with a written cost allocation plan approved annually by the campus chief fiscal officer. The plan is to be reasonable and provide consistent estimation, accumulation, and reporting of related costs.

Education Code §89704(a) creates the CERF and §89704(b) appropriates all CERF revenues, without regard to fiscal years, to the Trustees for the support and development of self-supporting instructional programs of the CSU.

CSUC memorandum, *Implementation of EO 753*, dated May 2, 2003, states:

Continuing education is broken into credit granting courses that are considered a part of the academic mission of the university. Therefore, it is generally not covered by EO 753. However, the non-credit part of their operation that is administered through the research foundation is considered an auxiliary enterprise under EO 753.

In a May 2, 2003 memorandum, the director of university audits/financial analyst stated that continuing education was part of the academic mission and did not participate in indirect cost allocations. The vice president of business and finance stated that the EO 753 plans had not been fully implemented because of other priorities.

Absence of a reasonable allocation of indirect costs and approved cost allocation plan does not provide assurance that the General Fund is fully compensated for support provided to auxiliary enterprises and RCE is self-supporting.

### **Recommendation 2**

We recommend that the campus:

- a. Allocate indirect costs to RCE and obtain appropriate General Fund reimbursement from the CERF for prior years.
- b. Document annual approval of the campus cost allocation plan by the chief fiscal officer.

### **Campus Response**

The campus will allocate indirect costs to RCE and obtain appropriate General Fund reimbursement from CERF for prior years. The campus will document annual approval of the cost allocation plan by the chief fiscal officer.

Anticipated completion date: March 31, 2006

## **REVENUE ALLOCATION**

A proposed increase in revenue allocation for enrollment of non-matriculated students was neither specifically endorsed by the campus budget advisory committee nor sufficiently itemized.

The CSUC university budget committee (UBC) did not specifically endorse the fall 2004 increase in revenue sharing from \$50 to \$60 per unit for non-matriculated students enrolled in state-supported regular courses or in self-support special session courses. Additionally, there was only anecdotal evidence indicating that the departments receiving the distributions were satisfied with the amounts and no breakdown itemizing the need and/or reason for the increase.

EO 805, *Policy Governing the Enrollment of Non-Matriculated Students in CSU State-Supported Courses and in CSU Self-Support Special Session Courses*, dated February 14, 2002, states that the allocation of all revenues derived from the enrollment of non-matriculated students in state-supported regular courses or in self-support special sessions shall be determined by the campus president, following consultation with the campus budget advisory committee. The CERF or campus trust (in accordance with established procedures) shall reimburse the General Fund expenditures associated with non-matriculated enrollments. Documentation of revenues and expenditures related to the program shall be maintained in sufficient detail to facilitate the conduct of evaluative studies.

The RCE dean stated that the UBC concern at the time was focused primarily on how budget cuts would be accommodated and a specific presentation on the revenue allocation increase was not requested.

Failure to administer revenues in accordance with systemwide policy increases the risk of unsupported changes in revenue allocations and misunderstandings as to whether the General Fund is being appropriately reimbursed.

### **Recommendation 3**

We recommend that the campus:

- a. Develop processes/procedures to support the management of revenues and expenditures related to the enrollment of non-matriculated students.
- b. Formally present the details of any changes in continuing education revenue allocations to the appropriate budget advisory committee.

### **Campus Response**

We will update procedures to support the management of revenues and expenditures related to the enrollment of non-matriculated students and present details of any changes in revenue allocations to the fiscal administration committee.

Anticipated completion date: January 31, 2006

### **OUTDATED AGREEMENTS**

Two agreements concerning CERF revenue distribution were outdated.

RCE agreements (also known as memorandums of understanding) used for CERF open university and summer/special session revenue distributions were signed by the previous RCE dean and dated prior to June 2000.

Government Code (GC) §13403 states that the elements of a satisfactory system of internal accounting and administrative control include, but are not limited to, a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The RCE dean stated that the terms of the agreements were still valid.

Dated agreements do not demonstrate contemporaneous analysis of revenue distribution arrangements and increase the risk of inappropriate terms and conditions.

**Recommendation 4**

We recommend that the campus renew agreements concerning CERF revenue distributions at more frequent intervals based on current analysis of distribution formulas.

**Campus Response**

We will renew agreements concerning CERF revenue distributions at more frequent intervals based on current analysis of distribution formulas.

Anticipated completion date: January 31, 2006

**CERF VS. TRUST**

The campus had retained all continuing education funds in the CERF based, in part, on factors that may no longer be relevant.

If the campus had invested some CERF reserves in a Met West medium-term account over the last five years since Assembly Bill (AB) 2812 authorization, there would have been a difference in the rate of return of 7.19% that could have been earned versus the 3.87% that was actually received. The only way that Met West could have been used is by maintaining the reserves in trust. The most recent Annual Investment Report for the CSU as presented in Agenda Item 5 of the September 2004 meeting of the Board of Trustees' Committee on Finance included a chart intended to illustrate how the Met West accounts have provided better long-term benefit to participants relative to the Local Agency Investment Fund (LAIF) and other industry performance measurements as follows:

	<b>Fiscal Year 2003-04</b>	<b>Trailing Three Years<sup>1</sup></b>	<b>Trailing Five Years<sup>1</sup></b>	<b>Since Inception<sup>1</sup></b>
<b>Short-Term Account</b>	<b>0.99%</b>	<b>2.25%</b>	<b>3.93%</b>	<b>4.49%</b>
LAIF	1.55%	2.42%	3.87%	4.37%
<b>Medium-Term Account</b>	<b>0.00%</b>	<b>5.52%</b>	<b>6.47%</b>	<b>6.51%</b>
Merrill Lynch 5-7 Year Index	-1.16%	6.67%	7.19%	7.09%
<b>Long-Term Account</b>	<b>0.31%<sup>2</sup></b>	<b>7.26%<sup>2</sup></b>	<b>N/A</b>	<b>9.79%<sup>2</sup></b>
Merrill Lynch 7-10 Year Index	0.48% <sup>2</sup>	7.78% <sup>2</sup>	N/A	9.99% <sup>2</sup>

<sup>1</sup>Annualized.

<sup>2</sup>Long-Term Account and Merrill Lynch 7-10 Year Index returns are through February 29, 2004, the closure date for the Long-Term Account.

Documentation regarding the original decision to retain all funds in the CERF was not memorialized in writing. Some recollections were that promised benefits might not materialize, there were concerns

about drawing attention to the CSU through significant CERF reductions, and a change would result in more workload in monitoring/transferring funds from trust to CERF to meet monthly payrolls.

AB 2812 permitted but did not require continuing education revenues to be deposited into trust accounts instead of the CERF. The legislation amended Education Code §89704 and §89721 and provided the CSU with additional flexibility and the advantage/capability to invest continuing education funds through trust in ways that would provide a higher rate of return.

The RCE dean stated that the campus had reviewed options concurrent with AB 2812 and concluded at that time that the trust option was not overwhelmingly beneficial.

Retention of all continuing education funds in the CERF limits investment options and rates of return.

### **Recommendation 5**

We recommend that the campus consider diversifying continuing education funds by separating balances between CERF and trust funds.

### **Campus Response**

We will consider diversifying continuing education funds.

Anticipated completion date: January 31, 2006

## **BUSINESS MODEL/CURRICULUM**

Promotional materials for certain self-support continuing education programs offered by the CSU, Chico Research Foundation (Foundation) inappropriately associated the programs with the campus.

The Foundation owned two programs that were administered by RCE — the American Language and Culture Institute (ALCI) and the Osher Lifelong Learning Institute/Prime-Timers. Both of these programs were advertised through different means including brochures, mailers, and websites. These promotional materials presented the programs in a way that suggested ownership by the campus because the materials:

- ▶ Prominently displayed the logo, name, pictures, and seal of the campus.
- ▶ Linked the programs to the campus Internet domain (csuchico.edu).
- ▶ Identified benefits that included use of campus facilities (e.g., library and health center).

- ▶ Promised enrollees identification cards that were the same as those provided to regularly enrolled students (Wildcat Card).
- ▶ Promoted the use of on-campus housing.

EO 919, *Policy Governing Non-General Fund Receipts*, dated October 15, 2004, states, in part, that auxiliary organizations also offer self-supporting instructional programs. The courses are non-credit and cannot use the CSU name or representation in any manner other than where CSU is part of the auxiliary's title.

The RCE dean stated that there were some conflicting issues about removing the campus name from these programs because the programs were in part designed with the intent of promoting the campus. She further gave the example that ALCI worked closely with campus offices to attract and enroll international students including some who might not be eligible for regular university admission because of language skills.

Misleading presentation of campus and foundation programs causes confusion and potentially increases campus liability for continuing education programs.

### **Recommendation 6**

We recommend that RCE clarify reference to the campus in self-support materials promoting programs offered by the Foundation.

### **Campus Response**

We will clarify reference to the campus in self-support materials promoting programs offered by the Foundation.

Anticipated completion date: February 28, 2006

## **ENROLLMENT AND STUDENT RECORDS**

There were concerns about the accuracy of enrollment reports for self-support matriculants in special sessions.

For FY 2003/04, the report of self-support matriculants enrolled in special sessions produced by the Analytic Studies Department in the chancellor's office showed zero enrolled self-support matriculants. When we followed up with RCE management, we were told that zero was incorrect, although the correct number would not be large.

EO 805, *Policy Governing the Enrollment of Non-Matriculated Students in CSU State-Supported Courses and in CSU Self-Support Special Session Courses*, dated February 14, 2002, states that for

purposes of reporting, registration and enrollment records concerning self-support special sessions shall be kept so as to differentiate between matriculated and non-matriculated students.

The RCE dean stated that there had been some changes in responsibilities for the preparation of these statistics at the campus.

Inaccurate reporting of special session enrollments impacts the ability of the campus and the system to adequately monitor changes associated with the transition to year-round operations.

### **Recommendation 7**

We recommend that the campus review and strengthen procedures over the reporting of self-support matriculants in special sessions.

### **Campus Response**

The campus has reviewed the sERSS report of self-support matriculants in special sessions and will strengthen procedures to report data accurately.

Anticipated completion date: December 31, 2005

## **FINANCIAL MANAGEMENT**

### **RCE CASHIERING**

The campus did not consider RCE a satellite cashiering location.

We noted that RCE was a major intake location for campus funds with annual receipts of approximately \$2.1 million. However, present arrangements were for RCE to manually record receipts and make daily trips to campus main cashiering where the funds were entered into the CashNet system.

GC §13403 states that the elements of a satisfactory system of internal accounting and administrative control include, but are not limited to, a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The director of student financial services stated that RCE was not considered a satellite cashiering location because they were not authorized a change fund.

Failure to recognize RCE as a satellite cashiering location increases the risk of inadequate control over cash receipts and misappropriations.

**Recommendation 8**

We recommend that the campus designate RCE as a satellite cashiering location and implement campus cashiering controls.

**Campus Response**

The campus has designated RCE as a satellite cashiering location and will implement campus cashiering controls and provide written documentation to RCE.

Anticipated completion date: March 31, 2006

**REVENUE RECONCILIATIONS**

Periodic CERF revenue reconciliations were not signed and dated by a preparer and reviewer.

Our review of the following revenue reconciliations prepared by RCE disclosed that the reconciliations were neither signed nor dated by a preparer or reviewer:

<b>Period Ending</b>	<b>Variance</b>
6/30/02	1.25%
12/31/02	1.69%
6/30/03	0.53%
12/31/03	1.69%
6/30/04	1.53%
12/31/04	0.61%

State Administrative Manual §7908 requires all reconciliations to show the name of the preparer and reviewer along with the date prepared and reviewed.

The RCE administrative analyst/specialist stated that the reconciliations were discussed at year-end with campus officials and no further direction was provided on additional documentation requirements.

The absence of signatures and dates compromises accountability and increases the risk that errors and irregularities will not be detected.

**Recommendation 9**

We recommend that the campus require that CERF revenue reconciliations be signed and dated by the preparer and reviewer.

**Campus Response**

CERF revenue reconciliations will be signed and dated by both the preparer and the reviewer.

Anticipated completion date: December 31, 2005

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Paul J. Zingg	President
Tom Alden	Computer Analyst/Programmer, Center for Regional and Continuing Education (RCE)
Debra Barger	Dean, RCE
Carol Blessum	Manager, Mail Services
Jan Burnham	Director, Student Financial Services
Susan Cottrell	Director, Budget Analysis and Research
Dave Foreman	Financial Analyst, Budget
Dennis Graham	Vice President for Business and Finance
Bob Hannigan	Vice Provost of Enrollment Management
Stephanie Henderson	Administrative Analyst/Specialist, RCE
Richard Jackson	Executive Director, The CSU, Chico Research Foundation
Bill Jones	Interim Associate Vice President for Financial Services
Michelle Korte	Director, Financial Reporting and Property
Scott McNall	Provost and Vice President for Academic Affairs
Doreen Mendes	Accounting Technician, Accounting Operations
Mary Oling-Otto	Director of Special Projects and Student Judicial Affairs
Joe Picard	Marketing Director, RCE
Patti Salomon	Financial Reporting Analyst
Janna Sterling	Administrative Assistant, RCE
Doug Wilson	Systems Support Technical Analyst, Human Resources

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November 7, 2005



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401 Golden Shore  
Long Beach, CA 90802-4210

Dear Mr. Mandel:

Enclosed is the information requested for the CSU, Continuing Education Audit Report #05-14. If you have any questions, please do not hesitate to give us a call.

Sincerely,

A handwritten signature in cursive script that reads "Dennis C. Graham".

Dennis C. Graham  
Vice President for Business and Finance

Enclosure

cc: Paul Zingg  
Scott McNall  
Bill Jones  
Debra Barger  
Mary Oling-Otto  
Jan Burnham  
Michelle Korte

**CONTINUING EDUCATION  
CALIFORNIA STATE UNIVERSITY,  
CHICO**

**Report Number 05-14  
October 3, 2005**

**CONTINUING EDUCATION ADMINISTRATION**

**RESERVE ACCUMULATION**

**Recommendation 1**

We recommend that the campus:

- a. Update the purposes and basis for existing reserves.
- b. Review and update target reserve presentations including methodology and specific calculations.
- c. Develop processes and procedures to review reserve status and targets annually.

**Campus Response**

We will update the purposes and basis for existing CERF reserves; review and update the reserve presentations with specific calculations; and develop procedures for annual updates.

**Anticipated completion date: March 31, 2006.**

**INDIRECT COSTS**

**Recommendation 2**

We recommend that the campus:

- a. Allocate indirect costs to RCE and obtain appropriate General Fund reimbursement from the CERF for prior years.
- b. Document annual approval of the campus cost allocation plan by the chief fiscal officer.

### **Campus Response**

The campus will allocate indirect costs to RCE and obtain appropriate General Fund reimbursement from CERF for prior years. The campus will document annual approval of the cost allocation plan by the chief fiscal officer.

**Anticipated completion date: March 31, 2006.**

### **REVENUE ALLOCATION**

#### **Recommendation 3**

We recommend that the campus:

- a. Develop processes/procedures to support the management of revenues and expenditures related to the enrollment of non-matriculated students.
- b. Formally present the details of any changes in continuing education revenue allocations to the appropriate budget advisory committee.

### **Campus Response**

We will update procedures to support the management of revenues and expenditures related to the enrollment of non-matriculated students and present details of any changes in revenue allocations to the Fiscal Administration Committee (FAC).

**Anticipated completion date: January 31, 2006.**

### **OUTDATED AGREEMENTS**

#### **Recommendation 4**

We recommend that the campus renew agreements concerning CERF revenue distributions at more frequent intervals based on current analysis of distribution formulas.

### **Campus Response**

We will renew agreements concerning CERF revenue distributions at more frequent intervals based on current analysis of distribution formulas.

**Anticipated completion date: January 31, 2006.**

### **CERF VS. TRUST**

#### **Recommendation 5**

We recommend that the campus consider diversifying continuing education funds by separating balances between CERF and trust funds.

### **Campus Response**

We will consider diversifying continuing education funds.

**Anticipated completion date: January 31, 2006.**

## **BUSINESS MODEL/CURRICULUM**

#### **Recommendation 6**

We recommend that RCE clarify reference to the campus in self-support materials promoting programs offered by the Foundation.

### **Campus Response**

We will clarify reference to the campus in self-support materials promoting programs offered by the Foundation.

**Anticipated completion date: February 28, 2006.**

## **ENROLLMENT AND STUDENT RECORDS**

#### **Recommendation 7**

We recommend that the campus review and strengthen procedures over the reporting of self-support matriculants in special sessions.

### **Campus Response**

The campus has reviewed the sERSS report of self-support matriculants in special sessions and will strengthen procedures to report data accurately.

**Anticipated completion date: December 31, 2005.**

## **FINANCIAL MANAGEMENT**

### **RCE CASHIERING**

#### **Recommendation 8**

We recommend that the campus designate RCE as a satellite cashiering location and implement campus cashiering controls.

### **Campus Response**

The campus has designated RCE as a satellite cashiering location and will implement campus cashiering controls and provide written documentation to RCE.

**Anticipated completion date: March 31, 2006.**

### **REVENUE RECONCILIATIONS**

#### **Recommendation 9**

We recommend that the campus require that CERF revenue reconciliations be signed and dated by the preparer and reviewer.

### **Campus Response**

CERF revenue reconciliations will be signed and dated by both the preparer and the reviewer.

**Anticipated completion date: December 31, 2005.**

  
**THE CALIFORNIA STATE UNIVERSITY**  
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

December 5, 2005

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

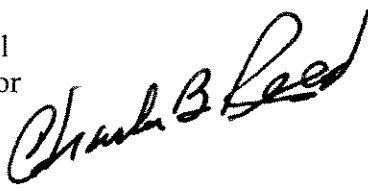
EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 05-14 on *Continuing Education*,  
California State University, Chico

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of December 5, 2005, I accept the response as submitted with the draft final report on *Continuing Education*, California State University, Chico.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Dennis C. Graham, Vice President for Business and Finance  
Dr. Paul J. Zingg, President

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS