

CONTINUING EDUCATION
CALIFORNIA STATE POLYTECHNIC UNIVERSITY,
POMONA

Report Number 05-16
February 2, 2006

Members, Committee on Audit

Raymond W. Holdsworth, Chair
Herbert L. Carter, Vice Chair
Roberta Achtenberg Debra S. Farar
Bob Foster George G. Gowgani
William Hauck

Staff

University Auditor: Larry Mandel
Audit Manager: Jim Usher
Internal Auditors: Mark Osborne and Ann Casey

BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY

CONTENTS

Executive Summary	1
Introduction.....	2
Background	2
Purpose.....	4
Scope and Methodology	5

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Continuing Education Administration	7
Program Evaluations	7
Delegations of Authority.....	8
Cost Allocation Plan	8
Business Model/Curriculum	9
Associating Campus With Foundation Programs	9
Out-of-Country Program.....	10
Financial Management.....	12
Cashiering	12
Revenue Reconciliations.....	14

APPENDICES

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

ABBREVIATIONS

AB	Assembly Bill
CERF	Continuing Education Revenue Fund
CEU	College of the Extended University
CO	Chancellor's Office
CPELI	Cal Poly English Language Institute
CSU	California State University
EO	Executive Order
Foundation	Cal Poly Pomona Foundation
FTES	Full-Time Equivalent Students
FY	Fiscal Year
IMBA	International Master of Business Administration
RFIN	Resolution of the Committee on Finance
SAM	State Administrative Manual

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 Polytechnic University, Pomona campus from July 5, 2005, through July 29, 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 policies, with the exception of those areas identified in the executive summary and in the details of the report.

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 [7]

The College of the Extended University (CEU) had not yet completed planned program evaluations. In addition, overall delegations of authority had not been adequately documented for applicable CEU functions and the campus did not have a current cost allocation plan in place that was reviewed annually by the chief fiscal officer.

BUSINESS MODEL/CURRICULUM [9]

Promotional materials for certain self-supporting continuing education programs offered by the Cal Poly Pomona Foundation inappropriately associated the programs with the campus. We reviewed 19 promotional brochures and noted that the campus name was used on 16 of the brochures and that the campus logo was used on 17 of the brochures. Further, establishment of the International Master of Business Administration degree program in Vietnam was not properly documented.

FINANCIAL MANAGEMENT [12]

Cash control weaknesses were found at four of the five cashiering areas visited. We noted that: CEU did not maintain proper segregation of duties in the processing of payments; CEU and the Cal Poly English Language Institute (CPELI) did not anchor their safes to the building; CPELI did not document individuals with safe access and the dates of the last safe combination change; Kellogg House and the International Center did not restrictively endorse checks on the day received; and Kellogg House transferred unendorsed checks to CEU via inter-campus mail. In addition, we noted that trust fund revenue reconciliations were not reconciled to enrollments and that reconciliations were not signed and dated by the preparer and reviewer.

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:

Campus	FTES State-Support Matriculants	FTES Self-Support Matriculants
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 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 Continuing Education Unit and Other Measurement Units*) were also considered. The audit review period was FY 2003/04 to date.

At California State Polytechnic University, Pomona, the College of the Extended University reporting to the president has overall responsibility for continuing education. The Cal Poly Pomona 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.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CONTINUING EDUCATION ADMINISTRATION

PROGRAM EVALUATIONS

The College of the Extended University (CEU) had not yet completed planned program evaluations.

Prior to May 2004, CEU did not have policies or procedures in place that required systematic financial and programmatic performance reviews – or the tools to do so – at the individual course or program level. The first corrective action was taken July 1, 2004, when the college-wide Financial Performance Tracking System was implemented to provide program managers and CEU administrators with the means to review monthly and year-to-date course/program financial performance. The second corrective action, a formal programmatic documentation and review process with appropriate tools, began implementation August 2005.

Government Code §13403(a) states that administrative controls are the method through which reasonable assurances can be given that measures adopted to promote operational efficiency, and encourage adherence to prescribed managerial policies are being followed. The elements of a satisfactory system of administrative control, shall include, but are not limited to: an established system of practices to be followed in performance of duties and functions; personnel of a quality commensurate with their responsibilities; and an effective system of internal review.

The executive director of business services stated that the process for program evaluations was being phased in.

The absence of CEU program evaluations increases the risk of operational inefficiencies and non-compliance with prescribed managerial policies.

Recommendation 1

We recommend that the campus perform continuing education program evaluations on a periodic basis.

Campus Response

We concur. CEU will initiate continuing education program evaluations on a periodic basis.

Timeline: April 28, 2006

DELEGATIONS OF AUTHORITY

Overall delegations of authority had not been adequately documented for applicable CEU functions.

We noted that specific employees were given responsibility for reviewing and approving certain transactions but no documentation existed that authorized the responsibilities or the employee's acceptance of those responsibilities.

Government Code §13403(a) states that administrative controls are the method through which reasonable assurances can be given that measures adopted to promote operational efficiency, and encourage adherence to prescribed managerial policies are being followed. The elements of a satisfactory system of administrative control, shall include, but are not limited to: a plan of organization that provides segregation of duties appropriate for proper safeguarding of assets; and, a plan that limits access to assets to authorized personnel who require these assets in the performance of their assigned duties.

The executive director of business services stated that, historically, CEU has been part of the academic affairs division. She further stated that in May 2004, it became part of the president's division and during the transition, some of the changes in delegations of authority were not adequately updated.

Inadequate documentation of CEU's delegation of authority does not ensure that assets are safeguarded and limited to necessary individuals.

Recommendation 2

We recommend that the campus fully document CEU's delegation of authority.

Campus Response

We concur. The campus will fully document CEU's delegation of authority.

Timeline: April 28, 2006

COST ALLOCATION PLAN

The campus did not have a current cost allocation plan in place that was reviewed annually by the chief fiscal officer.

At the time of our review, the campus provided a cost allocation report prepared for fiscal year (FY) 2000/01.

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 continuing education revenue fund (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 California State University (CSU).

The associate vice president of finance and administrative services stated that the FY 2000/01 report was the plan the campus was following. He further stated, however, documentation did not exist that indicated the plan was approved by the chief fiscal officer for subsequent fiscal years.

The lack of a current cost allocation plan indicates that the General Fund is not fully compensated for support provided to CEU.

Recommendation 3

We recommend that the campus document annual preparation and approval of the campus cost allocation plan by the chief fiscal officer.

Campus Response

We concur. The campus will update the cost allocation plan and ensure that it is reviewed and revised if necessary on an annual basis. The chief fiscal officer will approve the plan by affixing a signature to the cover document of the plan.

Timeline: November 30, 2006

BUSINESS MODEL/CURRICULUM

ASSOCIATING CAMPUS WITH FOUNDATION PROGRAMS

Promotional materials for certain self-supporting continuing education programs offered by the Cal Poly Pomona Foundation (Foundation) inappropriately associated the programs with the campus.

We reviewed 19 promotional brochures and noted that the campus name was used on 16 of the brochures and that the campus logo was used on 17 of the brochures.

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 executive director of business services stated that, although meaningful to the CSU system, EO 919 presents significant marketing challenges from cost, graphic, and strategic perspectives. She added that printed material such as the CEU Bulletin (catalogue) and CEU website have a need to present all offerings whether they are credit (State) or non-credit (Foundation) courses or programs. She also stated her belief that making this distinction in a way that does not confuse the market place yet meets the rigors of the campus internal graphic standards and EO 919 presents a challenge that requires more work in terms of graphics and written disclaimers.

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

Recommendation 4

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

Campus Response

We concur. CEU will clarify auxiliary and campus references in all electronic and printed marketing communications tools.

Timeline: August 31, 2006

OUT-OF-COUNTRY PROGRAM

Establishment of the International Master of Business Administration (IMBA) degree program in Vietnam was not properly documented.

Specifically, we noted that:

- ▶ There was no record of contact with the Vietnamese embassy to inform appropriate personnel and seek advice.
- ▶ IMBA program procedures and subsequent modifications were not on file with the state university dean of Extended Education in the chancellor's office (CO) at least 60 days prior to the initiation of the program.
- ▶ Interaction between CEU and the division of Extended Education in the CO was not documented.
- ▶ There was no evidence that the IMBA agreement between CEU and the host university was reviewed and approved by the Office of General Counsel in the CO.
- ▶ No letter of appointment was on file for the program director of IMBA.

EO 795, *Procedures Governing Self-Supporting Programs Outside the State of California, Conducted Through the Continuing Education Revenue Fund or Local Trust Accounts*, dated November 12, 2001, requires:

- ▶ Contact with the embassy of the nation concerned to inform appropriate personnel of campus plans and seek advice.
- ▶ The president of any campus offering out-of-country instructional programs to establish procedures for evaluation, review, and approval with respect to academic, contractual, faculty, fiscal, legal, and logistical arrangements and commitments. These procedures and subsequent modifications shall be filed with the state university dean of Extended Education in the CO at least 60 days prior to initiation of the first program to be offered.
- ▶ That once procedures are on file, the president shall routinely advise the division of Extended Education in the CO of intention to initiate a program.
- ▶ That any contract related to an out-of-country program which the campus is a party of must be reviewed and approved as to proper legal form by the Office of General Counsel in the CO.
- ▶ That each out-of-country program shall have a director assigned by means of a letter of appointment issued by the campus president or president's designee. This letter must specify the extent of the director's responsibility as a campus employee.

The executive director of business services stated that interaction with units of the CO on the IMBA program occurred, in an informal and undocumented manner.

The campus cannot be assured that out-of-state programs are created in accordance with relevant laws, regulations, and directives when there is a failure to properly document their establishment.

Recommendation 5

We recommend that the campus document the establishment of self-supporting programs outside the State of California in accordance with EO 795.

Campus Response

We concur. CEU will document the establishment of self-supporting programs for all future out-of-country programs.

Timeline: April 28, 2006

FINANCIAL MANAGEMENT

CASHIERING

Cash control weaknesses were found at four of the five cashiering areas visited.

The five cashiering locations reviewed were CEU, the Cal Poly English Language Institute (CPELI), Kellogg House, the International Center, and the Foundation. Control weaknesses at four of these locations were noted as follows:

CEU

Segregation of duties was not adequate in the processing of payments. Checks received through the mail were not logged. The assistant registrar opened mail containing registration payments and documentation and also processed those payments.

The department's small safe was not anchored to the building.

CPELI

The department's small safe was not anchored to the building.

The department did not have a record of individuals with safe access and the dates of the last combination change.

Kellogg House

Checks received at Kellogg House were not restrictively endorsed on the day received. The checks were sent via inter-campus mail to the CEU's accounting department for endorsement and deposit.

International Center

Checks received at the center were not restrictively endorsed on the day received. The checks were not endorsed until they were deposited at main cashiering in the classroom labs and administration building.

State agency cashiering operations must meet the requirements of the California State Administrative Manual (SAM). Auxiliary organizations are closely held entities of the university. Best business practices would provide that auxiliary cashiering practices mirror those of the university.

SAM §8080.1 states, in part, no one person shall perform more than one of the following 11 types of duties: ... (7) receiving and depositing remittances ... (8) inputting receipts information.

SAM §8025 states that, as a deterrent to burglary, safes will be securely anchored to the building and, where practical, to the building's foundation.

SAM §8024 requires the retention of a record listing the names of individuals with knowledge of a department's safe combination and the date the combination was last changed.

SAM §8034.1 requires checks and other negotiable instruments to be endorsed on the day they are received.

SAM §20050 indicates that the elements of a satisfactory system of internal accounting and administrative controls includes a system of authorization and recordkeeping procedures adequate to provide effective control over assets, liabilities, revenues, and expenditures.

The executive director of business services stated that the geographic distribution of CEU operating units requires fees to be collected in four different locations on campus that serve four different populations. As a result, she noted that business practices in each unit show variation in the absence of a formal college-wide CEU fee-collection and safe-management procedure.

Inadequate controls over cash receipts increase campus exposure to loss from inappropriate acts.

Recommendation 6

We recommend that the campus:

- a. Review cashiering activities at CEU and take appropriate action to either segregate duties or establish effective mitigating controls.
- b. Securely anchor the CEU and CPELI safes.
- c. Retain a record listing the names of individuals with knowledge of the CPELI department safe combination and the date the combination was last changed.
- d. Ensure that checks received by the Kellogg House and International Center are restrictively endorsed by the end of the day and that checks are appropriately transferred from the Kellogg House to the CEU's accounting department.

Campus Response

We concur.

- a. CEU will review cashiering activities and change procedures to segregate duties or establish effective mitigating controls.
- b. CEU will securely anchor the CEU and CPELI safes.
- c. CEU will retain a record listing the names of the individuals with knowledge of the CPELI department safe and the date the combination was last changed.
- d. CEU will implement a more rigorous policy regarding check endorsement and submission practices from the Kellogg House and International Center units.

Timeline: June 30, 2006

REVENUE RECONCILIATIONS

CEU trust fund revenue reconciliations were not prepared in a complete manner.

During our review of the March 2005 through May 2005 reconciliations, we noted that:

- ▶ Trust fund reconciliations did not reconcile revenue to enrollments.
- ▶ Reconciliations were not signed and dated by the preparer and reviewer.

SAM §7920 states that two types of reconciliations are made: (1) reconciliation of agency accounts with records other than those prepared by the agency; and (2) reconciliation of two or more accounts or other records kept by an agency. In addition, each agency is responsible to complete any reconciliation necessary to safeguard assets and ensure reliable financial data.

SAM §7908 requires that all reconciliations show the preparer's name, reviewer's name, date prepared, and date reviewed.

The executive director of business services stated that the campus converted to PeopleSoft in summer 2004. She noted that when this happened, CEU lost its ability to reconcile revenue and enrollments and this remains the condition today. She also stated that although the financial reconciliations for the trust fund are prepared by the accounting staff and reviewed by administrators on a monthly basis, the process has not been formally documented by signing and dating the documents.

Failure to prepare reconciliations in a complete manner compromises accountability and increases the risk that errors and irregularities will not be detected.

Recommendation 7

We recommend that the campus strengthen procedures to ensure that reconciliations are prepared in a complete and timely manner.

Campus Response

We concur. CEU will reconcile revenue and enrollments on a quarterly basis and ensure that the reconciliations are signed and dated by the preparer and reviewer. The revenue and enrollment reconciliation requires a PeopleSoft query tool that is currently in development.

Timeline: September 29, 2006

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
J. Michael Ortiz	President
Linda Ableman	Director of Kellogg House Pomona
Ed Barnes	Associate Vice President for Executive Affairs
Randall Burger	Director of Cal Poly English Language Institute
Dawn Burns	Accountant
Dora Chapman	Assistant Registrar
Robert Charles	ExtendTech Training Program Manager
Theresa Ensley	Study Abroad Coordinator, International Center
Patricia Farris	Vice President of Administrative Affairs and Chief Financial Officer
Julie Holland	Executive Director of Business Services
Darwin Labordo	Associate Vice President for Finance and Administrative Services
Tariq Marji	General Financial Manager, Cal Poly Pomona Foundation (Foundation)
David Prenovost	Chief Financial Officer, Foundation
G. Paul Storey	Executive Director, Foundation
Joice Xiong	Budget Analyst, International Center



Office of the Vice President
for Administrative Affairs

March 1, 2006

RECEIVED
UNIVERSITY AUDITOR

MAR - 3 2006

THE CALIFORNIA STATE
UNIVERSITY

Mr. Larry Mandel, University Auditor
Office of the Auditor
The California State University
400 Golden Shore, Suite 210
Long Beach, CA 90802

Dear Mr. Mandel:

Subject: Campus Response to Continuing Education Audit Report 05-16

Enclosed is California State Polytechnic's campus response to the Continuing Education Audit Report Number 05-16. We appreciate the effort you and your staff have made to indicate areas where our procedures or internal controls could be strengthened. We have taken the necessary actions to address the report's recommendations.

Please direct questions concerning the response to Darwin Labordo, Associate Vice President of Finance and Administrative Services at 909-869-2008 or dlabordo@csupomona.edu.

Sincerely,

Patricia L. Farris, Vice President
Administrative Affairs

Cc: J. Michael Ortiz, President

Dr. Edwin Barnes, Associate Vice President, Executive Affairs

Julie Holland, Executive Director of Business Services, Extended University

Darwin Labordo, Associate Vice President, Finance & Administrative Services

Enclosure

CONTINUING EDUCATION

CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA

Report Number 05-16

February 2, 2006

CONTINUING EDUCATION ADMINISTRATION

PROGRAM EVALUATIONS

Recommendation 1

We recommend that the campus perform continuing education program evaluations on a periodic basis.

Campus Response

We concur. CEU will initiate continuing education program evaluations on a periodic basis.

Timeline: April 28, 2006

DELEGATIONS OF AUTHORITY

Recommendation 2

We recommend that the campus fully document CEU's delegation of authority.

Campus Response

We concur. Campus will fully document CEU's delegation of authority.

Timeline: April 28, 2006

COST ALLOCATION PLAN

Recommendation 3

We recommend that the campus document annual preparation and approval of the campus cost allocation plan by the chief fiscal officer.

Campus Response

We concur. The campus will update the cost allocation plan and assure that it is reviewed and revised if necessary on an annual basis. The CFO will approve the plan by affixing signature to the cover document of the plan.

Timeline: November 30, 2006

BUSINESS MODEL/CURRICULUM

ASSOCIATING CAMPUS WITH FOUNDATION PROGRAMS

Recommendation 4

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

Campus Response

We concur. CEU will clarify auxiliary and campus references in all electronic and printed marketing communications tools.

Timeline: August 31, 2006

OUT-OF-COUNTRY PROGRAM

Recommendation 5

We recommend that the campus document the establishment of self-supporting programs outside the State of California in accordance with EO 795.

Campus Response

We concur. CEU will document the establishment of self-supporting programs for all future out-of-country programs.

Timeline: April 28, 2006

FINANCIAL MANAGEMENT

CASHIERING

Recommendation 6

We recommend that the campus:

- a. Review cashiering activities at CEU and take appropriate action to either segregate duties or establish effective mitigating controls.
- b. Securely anchor the CEU and CPELI safes.
- c. Retain a record listing the names of individuals with knowledge of the CPELI department safe combination and the date the combination was last changed.
- d. Ensure that checks received by the Kellogg House and International Center are restrictively endorsed by the end of the day and that checks are appropriately transferred from the Kellogg House to CEU's accounting department.

Campus Response

We concur.

- a. CEU will review cashiering activities and change procedures to segregate duties or establish effective mitigating controls.
- b. CEU will securely anchor the CEU and CPELI safes.
- c. CEU will retain a record listing the names of the individuals with knowledge of the CPELI department safe and the date the combination was last changed.
- d. CEU will implement a more rigorous policy regarding check endorsement and submission practices from the Kellogg House and International Center units.

Timeline: June 30, 2006

REVENUE RECONCILIATIONS

Recommendation 7

We recommend that the campus strengthen procedures to ensure that reconciliations are prepared in a complete and timely manner.

Campus Response

We concur. CEU will reconcile revenue and enrollments on a quarterly basis and ensure that the reconciliations are signed and dated by the preparer and reviewer. The revenue and enrollment reconciliation requires a PeopleSoft query tool that is currently in development.

Timeline: September 29, 2006



THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

March 23, 2006

CHANNEL ISLANDS

CHICO

MEMORANDUM

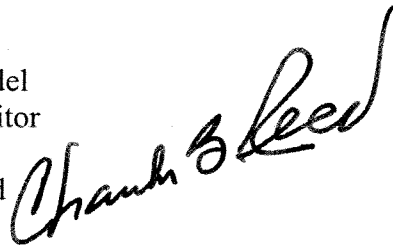
DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor 

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 05-16 on *Continuing Education*,
California State Polytechnic University, Pomona

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of March 23, 2006, I accept the response as
submitted with the draft final report on *Continuing Education*, California State
Polytechnic University, Pomona.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Ms. Patricia L. Farris, Vice President, Administrative Affairs
Dr. J. Michael Ortiz, President

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS