

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

May 17, 2021

Dr. Robert S. Nelsen, President
California State University, Sacramento
6000 J Street
Sacramento, CA 95819

Dear Dr. Nelsen:

**Subject: Audit Report 20-53, Professional and Continuing Education,
California State University, Sacramento**

We have completed an audit of *Professional and Continuing Education* as part of our 2020-2021 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which will be posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Joseph I. Castro, Chancellor
Adam Day, Chair, Committee on Audit
Jane W. Carney, Vice Chair, Committee on Audit

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PROFESSIONAL AND CONTINUING EDUCATION

**California State University,
Sacramento**

Audit Report 20-53
May 17, 2021

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to professional and continuing education (PACE) and to ensure compliance with relevant federal and state regulations, Trustee policy, Office of the Chancellor (CO) directives, and campus procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for PACE as of February 26, 2021, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

Overall, we noted that California State University, Sacramento (Sacramento State) had an appropriate framework for the administration of its PACE programs; however, we identified some areas needing improvement. Specifically, we found that PACE fund expenditures were not always adequately supported to connect the expense to the support and development of PACE programs and in compliance with campus policies, procedures, and other guidance. In addition, we found that documentation did not exist to verify that authorized adults had completed youth protection training and that memorandums of understanding (MOU) between the College of Continuing Education (CCE) and campus partners had expired or had never been fully executed.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. PACE FUND EXPENDITURES

OBSERVATION

PACE fund expenditures were not consistently supported, and certain expenditures were not in compliance with campus policies, procedures, and other guidance.

We selected and reviewed 25 PACE fund expenditures totaling \$65,298 made by CCE and campus partners during fiscal years 2019/20 and 2020/21, including 10 campus partner expenditures totaling \$13,307. We found that in two instances, campus partner expenditures totaling \$1,130 were not supported with sufficient explanations that adequately connected the expenses to the support and development of self-supporting instructional programs.

Further, we found that these transactions were not in compliance with campus guidance regarding the appropriate use of CCE partner funds. Specifically, these expenditures included employee appreciation gifts (\$950) and office supplies (\$180), which are not listed as permissible uses under the campus' *Appropriate Use of CCE Campus Partner Funds*.

Complete and accurate documentation of PACE expenditures decreases the risk of inappropriate use of PACE funds and helps to ensure compliance with state, systemwide, and campus requirements.

RECOMMENDATION

We recommend that the campus:

- a. Improve the process for documenting explanations for campus partner PACE fund expenditures so that they adequately connect the expense to the support and development of self-supporting instructional programs, and communicate this process to appropriate employees.
- b. Communicate the appropriate uses for PACE funds to the appropriate campus employees.

MANAGEMENT RESPONSE

We concur. The campus will take the following actions by October 14, 2021:

- a. Improve the process for documenting explanations and justifications for campus partner PACE fund expenditures in order to adequately connect the expense to the support and development of self-supporting instructional programs.
- b. Communicate the appropriate uses for PACE funds to applicable campus employees.

2. YOUTH PROTECTION

OBSERVATION

Training for employees working with minors in PACE programs needed improvement.

We noted that CCE relied on the mandated reporter training provided to campus employees, pursuant to systemwide requirements, who acted as instructors for youth programs. CCE also provided authorized adults with a copy of *Your Guide to Working with Minors* from the campus risk management department. However, we found that there were no records showing that authorized adults who participated in CCE's 2020 Summer Academies for High School Students had completed the mandated reporter training or other specific training related to working with minors.

Further, we found that campus Program or Activity Registration forms were not completed by CCE and submitted to risk management for programs involving minors between 2019 and the time of fieldwork on this audit. Although we noted that there were no campus or systemwide policies requiring the use of this form, completion and submittal of the form assists in keeping risk management informed of campus-sponsored programs involving minors, communicates requirements for programs involving minors to the program director, and aides in developing a collaborative relationship between risk management and the program's campus sponsor.

Documentation of youth protection training and collaboration with risk management provides a governance structure that helps to ensure campus objectives are met and youth programs comply with relevant laws, regulations, and systemwide requirements.

RECOMMENDATION

We recommend that the campus:

- a. Identify specific training programs to be provided to authorized adults working with minors in CCE programs, provide training, and develop a process to retain training records for these individuals.
- b. Communicate to campus personnel that programs or events involving minors should complete a Program or Activity Registration form and submit it to risk management before the beginning of the program's activities.

MANAGEMENT RESPONSE

We concur. The campus will take the following actions by October 14, 2021:

- a. Identify specific training programs to be provided to authorized adults working with minors in CCE programs, provide training, and develop a process to retain training records for these individuals.
- b. Communicate to campus personnel that programs or events involving minors should complete a Program or Activity Registration form and submit it to risk management before the beginning of the program's activities.

3. CAMPUS PARTNER AGREEMENTS

OBSERVATION

Campus partner agreements between CCE and the campus and/or campus partners had expired or were not fully executed.

Specifically, we found that:

- MOUs between CCE and the campus for provisions of open enrollment and summer sessions had expired on June 30, 2020, and had not been formally extended or otherwise renewed.
- There were no current MOUs between CCE and the College of Health and Human Services (CHHS) and College of Education (COE). The MOU with CHHS had expired on June 30, 2014, and the MOU with COE was never fully executed.

We noted that CCE had made efforts toward obtaining updated MOUs with campus partners and had developed program-specific addendums to clarify roles and responsibilities between colleges. In addition, the campus partnerships had continued to operate under the guidance of previous MOUs. We also noted that the campus' prioritization of shifting to virtual learning in response to the COVID-19 pandemic created a delay in obtaining renewed agreements.

Maintaining current campus partner agreements decreases the risk of misunderstanding of business terms and responsibilities and helps to ensure proper operation of the shared programs.

RECOMMENDATION

We recommend that the campus execute agreements for the PACE programs shared between CCE and campus partners and establish a process in which these agreements will be reviewed and renewed prior to expiration.

MANAGEMENT RESPONSE

We concur. The campus initiated the process of obtaining updated memorandums of understanding with campus partners and will complete the execution of these agreements for the PACE programs shared between CCE and campus partners. The campus will establish a process in which these agreements will be reviewed and renewed prior to expiration. Both of these actions will be completed by October 14, 2021.

GENERAL INFORMATION

BACKGROUND

In 1971, the California legislature passed the Continuing Education Revenue Fund (CERF) Act, which required each California State University (CSU) campus to create extended education units provided by PACE operations. On average, the 23 campuses process 300,000 PACE enrollments each year. Units awarded through PACE programs provide a way for the CSU to meet the education and training needs of individuals and groups who might not otherwise be served by the CSU and allow campuses to operate on a self-support basis at times and locations not supported by the CSU Operating Fund.

PACE provides a broad spectrum of services, including professional development and job training courses; certificate and degree programs; courses delivered online, off-campus, or at non-traditional times; courses for personal enrichment; and courses delivered between academic terms. Courses may provide academic credit or continuing education units, or may be offered on a non-credit basis. There are certain limitations on PACE offerings, including the requirement that offerings not supplant regular state-supported course offerings, and that state-supported matriculated students not be required to enroll in self-support courses in order to fulfill graduation requirements. Additionally, basic teacher credential programs are generally not allowed to be offered through PACE.

The assistant vice chancellor and dean of PACE at the CO provides overall oversight and administration for PACE at the systemwide level. In addition, the Commission on the Extended University, established in 2002, advises the chancellor regarding the issues and opportunities facing PACE programs at each of the campuses.

The California State Auditor conducted an audit of PACE in the CSU system in 2012/13 and issued the final report in December 2013. As a result, the CO revised systemwide policy related to extended education and issued Executive Order (EO) 1099, *Extended Education: Self-Supporting Instructional Courses and Programs*, in June 2014 and again in October 2018. Additionally, the CO worked with the legislature to clarify the definition of supplanting, which resulted in Assembly Bill 716 being passed in September 2015. The bill amended Education Code §89708 and defined supplanting as reducing the number of state-supported course offerings while increasing the number of self-supporting versions of that course.

At Sacramento State, PACE is housed in the College of Continuing Education (CCE) and is headed by a dean who reports to the provost in Academic Affairs. The college oversees summer session; bachelor's and master's degrees; certificate courses; and Open University, a program that allows individuals to enroll in college courses on a space-available basis without being admitted to the university. Some programs are offered online, while others require in-person attendance.

Sacramento State's CCE is also home to the Summer Academies for High School Students (Summer Academies) and Academic Talent Search (ATS) programs. Summer Academies provides high school students with career exploration opportunities through hands-on activities, interactive projects, and coaching. ATS, which moved to CCE in 2020, provides students in grades 7-10 with opportunities to discover new academic and creative challenges

in topics not always available in regular school and the chance to explore potential college majors and career paths.

SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from January 11, 2021, through February 26, 2021. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from January 1, 2019, through February 26, 2021.

Specifically, we reviewed and tested:

- PACE administration and organization, including clear lines of organizational authority and responsibility, defined mission and goals, and current and comprehensive policies and procedures.
- Processes for the development and approval of PACE course offerings, including compliance with state regulations relating to supplanting of state-supported courses and systemwide policy for approving degree programs.
- Processes for the enrollment of non-matriculated students in state-supported courses.
- Establishment and modification of PACE fees.
- Administration of PACE revenues and expenditures for the support and development of self-supported instructional programs.
- Appropriate review and execution of contracts with internal and external providers.
- Reimbursement to the CSU Operating Fund for PACE costs.
- Maintenance and approval of PACE reserves.
- Controls limiting access to stand-alone PACE systems to appropriate personnel.
- Appropriate risk-management processes for higher-risk programs, including those involving minors.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology, which was designed to provide a review of key operational, administrative, and financial controls, included interviews, walkthroughs, and detailed testing

on certain aspects of the PACE program. Our review was limited to gaining reasonable assurance that essential elements of the PACE program were in place and did not examine all aspects of the program.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance, Trustee policy, Office of the Chancellor directives, and campus procedures, as well as sound administrative practices and consideration of the potential impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- EO 341, *Use of Surpluses in CERF*
- EO 805, *Policy Governing the Enrollment of Non-Matriculated Students in CSU State-Supported Courses and in CSU Self-Support Special Session Courses*
- EO 806, *Certificates and Certificate Programs*
- EO 1000, *Delegation of Fiscal Authority*
- EO 1083, *Mandatory Reporting of Child Abuse and Neglect*
- EO 1099, *Extended Education: Self-Supporting Instructional Courses and Programs*
- EO 1102, *CSU Fee Policy*
- Integrated California State University Administrative Manual (ICSUAM) §2001.00, *Campus Reserves*
- ICSUAM §3552.01, *Cost Allocation/Reimbursement Plans for the CSU Operating Fund*
- ICSUAM §8000, *Information Security*
- Coded memorandum Human Resources 2016-08, *Background Check Policy*
- Education Code (EC) §89700 to §89712, *Fees, Rents and Charges*
- EC §89720 to §89726, *Revenues*
- Government Code §13402 and §13403
- Sacramento State *New Degree Programs: Approval Process*
- Sacramento State *Course Proposals*
- Sacramento State *Certificate Programs*
- Sacramento State *Appropriate Use of College of Continuing Education Campus Partner Funds*
- Sacramento State *Hospitality Expenses*

AUDIT TEAM

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Internal Auditor: Elston Wyatt