January 27, 2021

Dr. Eduardo M. Ochoa, President
California State University, Monterey Bay
100 Campus Center, Administration Building
Seaside, CA 93955

Dear Dr. Ochoa:

Subject: Audit Report 20-50, Professional and Continuing Education, California State University, Monterey Bay

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 has been 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
PROFESSIONAL AND CONTINUING EDUCATION

California State University,
Monterey Bay

Audit Report 20-50
December 17, 2020
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 evaluate 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 November 13, 2020, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

Overall, we noted that California State University, Monterey Bay (CSUMB) had an appropriate framework for the administration of its PACE programs; however, we identified some areas needing improvement. Specifically, we found that the campus did not have an agreement or memorandum of understanding (MOU) in place to define the roles and responsibilities for the Osher Lifelong Learning Institute (OLLI) operated in a shared manner with the University Corporation (U-Corp). In addition, we found that documentation did not always exist to justify the fee rates set for self-support instructional programs.

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

1. OLLI PROGRAM AGREEMENT

OBSERVATION

The campus did not have an agreement or MOU in place with U-Corp defining roles and responsibilities for the operation of the OLLI program.

Specifically, we noted that the OLLI program was operated by U-Corp and fell under the framework of U-Corp policies and processes. Although U-Corp was responsible for the programming and administration of OLLI, the program reported administratively to the dean of the College of the Extended Education and International Program (CEEIP), who was responsible for approving OLLI programming for the year. Additionally, we noted that CEEIP provided U-Corp $33,700 a year in support of the OLLI program. We found that an agreement or MOU did not exist to detail the shared responsibility of the OLLI program and define the roles and responsibilities of the parties involved.

Appropriate documentation and communication of agreements helps to ensure compliance with systemwide requirements and reduces the risk of misunderstanding of responsibilities and liabilities.

RECOMMENDATION

We recommend that the campus execute a written agreement or MOU defining the roles and responsibilities for the operation of the OLLI program.

MANAGEMENT RESPONSE

We concur. The campus will execute a written agreement or MOU defining the roles and responsibilities for the operation of the OLLI program.

Expected completion date: April 2, 2021

2. PROGRAM FEE DEVELOPMENT

OBSERVATION

The campus did not maintain documentation showing that all program fees were developed in compliance with Executive Order (EO) 1099, Extended Education; Self-Supporting Instructional Courses and Programs.

EO 1099 states that in determining fees, the campus shall consider the costs that will be covered by the fees, including salaries, materials, travel, and student services and accommodations. Additionally, the campus should identify the student cost per unit and specify the number of students expected to enroll in the program annually. Records of these details associated with the fees assessed for self-supporting programs and courses are to be
maintained in accordance with California State University (CSU) systemwide record-retention schedules.

We reviewed the fee development process for five self-support instructional programs. We found that the campus could not locate documentation related to fee analysis for two programs, and therefore, we were unable to verify whether the programs’ fees were established on the basis of the estimated program delivery cost per person, as required by EO 1099. One of the programs had a fee change in 2019, and the other did not have a fee change during the audit period. A no documentation was available to determine whether these fees were established considering the criteria required by EO 1099, we noted during our review of the budgeted revenues and expenditures for the programs that the fees appeared to reasonably reflect the estimated delivery cost per person.

Additionally, we noted that the other three programs we reviewed had fees established or changed during 2020, and the campus was able to provide documentation to support that fees were developed in compliance with EO 1099.

Proper administration of program fee development helps to ensure that fees are developed in compliance with systemwide requirements.

RECOMMENDATION

We recommend that the campus:

a. Perform analysis on the instructional fees for the programs noted above to verify that that the fees are reflective of the estimated per-person delivery cost of the program.

b. Establish a process to occasionally reassess self-support instructional program fees to ensure that they remain reflective of estimated per-person delivery costs.

MANAGEMENT RESPONSE

We concur. The campus will perform analysis on the instructional fees for the programs noted above to verify that the fees are reflective of the estimated per-person delivery cost of the program and will establish a process to occasionally reassess self-support instructional program fees to ensure that they remain reflective of estimated per-person delivery costs.

Expected completion date: April 2, 2021
GENERAL INFORMATION

BACKGROUND

In 1971, the California legislature passed the Continuing Education Revenue Fund (CERF) Act, which required each 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 (CSA) 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 EE and issued 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 CSUMB, PACE is housed in CEEIP and is headed by a dean who reports to the provost in Academic Affairs. The college oversees summer session; 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.

CSUMB also offers OLLI@CSUMB, a dynamic learning community for adults age 50 and better. OLLI@CSUMB offers a wide variety courses taught by CSUMB faculty and experts in their fields. OLLI@CSUMB was established in 2007 as one of 124 Osher Lifelong Learning Institutes nationwide and is supported by The Bernard Osher Foundation, membership fees, and donations.
SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from September 21, 2020, through November 13, 2020. 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 November 13, 2020.

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.

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 (and auxiliary, if applicable) 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 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*
- Education Code (EC) §89700 to §89712, *Fees, Rents and Charges*
- EC §89720 to §89726, *Revenues*
- Government Code §13402 and §13403
- CSUMB *EE Non-Credit Special Sessions Policies and Procedures Manual*
- CSUMB *Policies and Operations Manual for Academic Programs*

AUDIT TEAM

Audit Manager: Jennifer Rethwisch
Internal Auditor: Elston Wyatt