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MEMORANDUM

TO: Presidents

FROM: Dr. Ephraim P. Smith 
Executive Vice Chancellor and Chief Academic Officer

SUBJECT: Extended Education Internal Audit Findings and Recommendations

The 2014 internal audit of the extended education operations pointed to the need for additional Chancellor's Office guidance for campus documentation of extended education local trust fund expenditures, and for better campus adherence to policies and procedures for Open University.

In compliance with internal audit recommendations, the Chancellor's Office is providing via this memorandum: (1) a reiteration of existing policy, and (2) additional guidance.

(I) Audit Finding: Campuses Did Not Always Document Extended Education Local Trust Fund Expenditures Appropriately

A. Existing Law and Policy

Education Code section 89704 (Statutes of 1976), defines how self-support revenue shall be appropriated:

All revenues are hereby appropriated, without regard to fiscal years, to the trustees for the support and development of self-supporting instructional programs of the California State University.

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

The appropriation of self-support funds is codified within CSU policy in Executive Order 1099, Article 13:

13.2.2 The EE Local Trust Fund is subject to all the fiscal policies and procedures pertinent to the fund and is available solely “for the support and development of self-supporting instructional programs” as provided in Education Code section 89704.

Instructions for direct and indirect expenditures are found in the ICSUAM 3552.01 Allocation/Reimbursement Plans for the CSU Operating Fund (6/5/2012).

B. Additional Guidance for Campus Documentation of Extended Education Local Trust Fund Expenditures

- Campuses shall follow existing policies and guidelines with regard to expenditures for self-support instructional programs in the CSU.
- Direct expenditures shall be allocated and recovered based on actual costs incurred.
- Indirect expenditures shall be allocated and recovered according to a consistent methodology and documented cost allocation plan.
- Campuses shall document expenditures in a manner that ensures a clear and appropriate connection for the overall support and development of self-supporting instructional programs.
- Campuses shall review and widely communicate policy to ensure campus compliance, including, but not limited to, notifying campus deans and department chair of the requirements to ensure there is a connection between expenditures made from campus revenue share trust accounts and the specific continuing education functions that benefitted from the expenditures.
- Campuses are responsible for the implementation of this policy and shall have in place an internal monitoring mechanism to ensure compliance.

(II) Audit Finding: Campuses Did Not Always Adhere to Existing Open University Policy

A. Existing Policy

EO 805, *Policy Governing the Enrollment of Non-Matriculated Students in CSU State-Supported Courses and in CSU Self-Support Special Sessions Courses*, dated February 14, 2002, states that enrollment or potential enrollment of non-matriculated students in state-supported courses shall not be the basis for the addition of a course that would otherwise be canceled because of low enrollment of regularly matriculated students.

Campuses shall take note of Articles 3.00 and 4.00:

3.00 Course Availability and Scheduling

- 3.01 Enrollment or potential enrollment of non-matriculated students in state-supported courses shall not be the basis for the addition of a course that would otherwise be canceled because of low enrollment of regularly matriculated students.
- 3.02 The enrollment limit of a state-supported course shall not be increased because of the enrollment of non-matriculated students beyond the maximum size that would ordinarily be deemed appropriate. The campus may further limit the number or proportion of non-matriculated students in a state-supported regular course to assure maintenance of quality.

4.00 Conditions of Enrollment

- 4.01 Enrollment of non-matriculated students in state-supported regular courses or in self-support special session courses shall not be permitted until reasonable steps have been taken to provide full enrollment opportunity to eligible matriculated students.
- 4.02 Campuses may require that non-matriculated students seeking to enroll in state-supported regular courses or in self-support special session courses meet course prerequisites and may establish other requirements for enrollment.
- 4.03 Registration of non-matriculated students in state-supported regular courses or in self-support special session courses shall be conducted in such a manner as not to interfere with the course instruction.

B. Additional Guidance for Campus Adherence to Open University Policy

- Campuses shall review and widely communicate Open University policy to the campus community to ensure compliance with EO 805.

(III) Policy Links

- Executive Order 805 may be viewed and downloaded from:
<http://www.calstate.edu/EO/EO-805.pdf>
- Executive Order 1000 may be viewed and downloaded from:
<http://www.calstate.edu/EO/EO-1000.pdf>
- Executive Order 1099 may be viewed and downloaded from:
<http://www.calstate.edu/EO/EO-1099.html>
- Additional policies and procedures regarding self-support education appears at this website: <http://www.calstate.edu/app/eepolicy/index.shtml>
- California Education Code is available at:
<http://leginfo.legislature.ca.gov/faces/codes.xhtml>

Please address any questions to Dr. Sheila Thomas, Assistant Vice Chancellor, Self-Support Strategy and Partnerships and Dean, Extended Education. Dr. Thomas may be reached at sthomas@calstate.edu or by telephone at 562-951-4793.

Cc: Loren Blanchard, Executive Vice Chancellor, Chief Academic and Student Affairs Officer
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