

# **COLLEGE OF THE SEQUOIAS COMMUNITY COLLEGE DISTRICT**

Audit Report

## **ENROLLMENT FEE COLLECTION AND WAIVERS PROGRAM**

Education Code Section 76300 and California  
Code of Regulations, Title 5, Sections 58501–58503,  
58611–58613, 58620, and 58630

*July 1, 1998, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

January 2013



**JOHN CHIANG**  
**California State Controller**

January 29, 2013

Greg Sherman, President  
Board of Trustees  
College of the Sequoias  
Community College District  
915 South Mooney Blvd.  
Visalia, CA 93277

Dear Mr. Sherman:

The State Controller's Office audited the costs claimed by the College of the Sequoias Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and *California Code of Regulations*, Title 5, sections 58501–58503, 58611–58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2010.

The district claimed \$1,496,214 for the mandated program. Our audit disclosed that \$813,756 is allowable, and \$682,458 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs, overstated student enrollment numbers, misstated the number of Board of Governors Grant fee waivers, misstated indirect cost rates, and overstated offsetting reimbursements. The State paid the district \$82,012. The State will pay allowable costs claimed that exceed the amount paid, totaling \$731,744, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/sk

cc: Linda McCauley, Chief Accounting Officer  
Fiscal Services, College of the Sequoias Community College District  
Stan Carrizosa, Superintendent/President  
Administrative Services, College of the Sequoias Community College District  
Christine Atalig, Specialist  
College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Ed Hanson, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the College of the Sequoias Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and California Code of Regulations, Title 5, sections 58501–58503, 58611–58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2010.

The district claimed \$1,496,214 for the mandated program. Our audit disclosed that \$813,756 is allowable and \$682,458 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs, overstated student enrollment numbers, misstated the number of Board of Governors Grant (BOGG) fee waivers, misstated indirect cost rates, and overstated offsetting reimbursements. The State paid the district \$82,012. The State will pay allowable costs claimed that exceed the amount paid, totaling \$731,744, contingent upon available appropriations.

## Background

Education Code section 76300 and Title 5, California Code of Regulations, sections 58501–58503, 58611–58613, 58620, and 58630 authorize community college districts to calculate and collect student enrollment fees and to waive student fees in certain instances. The codes also direct community college districts to report the number of, and amounts provided for Board of Governor Grants and to adopt procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5, *California Code of Regulations*.

The sections were added and/or amended by:

- Chapter 1, Statutes of 1984;
- Chapter 274 and 1401, Statutes of 1984;
- Chapter 920 and 1454, Statutes of 1985;
- Chapter 46 and 395, Statutes of 1986;
- Chapter 1118, Statutes of 1987;
- Chapter 136, Statutes of 1989;
- Chapter 114, Statutes of 1991;
- Chapter 703, Statutes of 1992;
- Chapter 8, 66, 67, and 1124, Statutes of 1993;
- Chapter 153 and 422, Statutes of 1994;
- Chapter 308, Statutes of 1995;
- Chapter 63, Statutes of 1996; and
- Chapter 72, Statutes of 1999.

On April 24, 2003, the Commission on State Mandates (CSM) adopted the Statement of Decision for the Enrollment Fee Collection and Waivers Program. The CSM found that the test claim legislation constitutes a new program or higher level of service and imposes a reimbursable State-mandated program on community college districts within the meaning of Article XIII B, section 6 of the California Constitution and Government Code section 17514.

The CSM found that the following activities are reimbursable:

- Calculating and collecting the student enrollment fee for each student enrolled except for nonresidents, and except for special part-time students cited in Education Code section 76300, subdivision (f).
- Waiving student fees in accordance with the groups listed in Education Code section 76300, subdivisions (g) and (h).
- Waiving fees for students who apply for and are eligible for BOGG fee waivers.
- Reporting to the Community Colleges Chancellor the number of, and amounts provided for BOGG waivers.
- Adopting procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5 of the *California Code of Regulations*; and including in the procedures the rules for retention of support documentation, which will enable an independent determination regarding accuracy of the district's certification of need for financial assistance.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Enrollment Fee Collection and Waivers Program for the period of July 1, 1998, through June 30, 2010.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the College of the Sequoias Community College District claimed \$1,496,214 for costs of the Enrollment Fee Collection and Waivers Program. Our audit disclosed that \$813,756 is allowable and \$682,458 is unallowable. The State paid the district \$82,012. The State will pay allowable costs claimed that exceed the amount paid, totaling \$731,744, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on November 21, 2012. We contacted Linda McCauley, Chief Accounting Officer, responded by e-mail on December 18, 2012. Ms. McCauley stated that the district will not be submitting a response.

**Restricted Use**

This report is solely for the information and use of the College of the Sequoias Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

January 29, 2013

**Schedule 1—  
Summary of Program Costs  
July 1, 1998, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 50,773	\$ 52,186	\$ 1,413	Finding 1
Total direct costs	50,773	52,186	1,413	
Indirect costs	24,589	6,377	(18,212)	Finding 4
Total direct and indirect costs	75,362	58,563	(16,799)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(23,479)	(21,305)	2,174	Finding 5
Total program costs	<u>\$ 51,883</u>	37,258	<u>\$ (14,625)</u>	
Less amount paid by the State		(5,871)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 31,387</u>		
<u>July 1, 1999, through June 30, 2000</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits:				
Calculating and collecting enrollment fees	\$ 52,577	\$ 58,933	\$ 6,356	Finding 1
Total direct costs	52,577	58,933	6,356	
Indirect costs	24,017	7,561	(16,456)	Finding 4
Total direct and indirect costs	76,594	66,494	(10,100)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(23,579)	(20,113)	3,466	Finding 5
Total enrollment fee collection	53,015	46,381	(6,634)	
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	59	59	—	
Staff training	30	30	—	
Adopt procedures, record and maintain records	—	182	182	Finding 2
Waiving student fees	93,619	17,112	(76,507)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	148	148	—	
Total direct costs - salaries and benefits	93,856	717,531	(76,325)	
Direct costs - contracted services				
Adopt procedures, record and maintain records	—	500	500	Finding 2
Waiving student fees	2,000	—	(2,000)	Finding 3
Total direct costs - contracted services	2,000	500	(1,500)	
Total direct costs	95,856	18,031	(77,825)	
Indirect costs	42,873	2,313	(40,560)	Finding 4

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000 (continued)</u>				
Total direct and indirect costs	138,729	20,344	(118,385)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	<u>(95,856)</u>	<u>(20,344)</u>	<u>75,512</u>	Finding 5
Total enrollment fee waivers	<u>42,873</u>	<u>—</u>	<u>(42,873)</u>	
Total program costs	<u>\$ 95,888</u>	46,381	<u>\$ (49,507)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 46,381</u>		
<u>July 1, 2000, through June 30, 2001</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	<u>\$ 67,821</u>	<u>\$ 69,949</u>	<u>\$ 2,128</u>	Finding 1
Total direct costs	67,821	69,949	2,128	
Indirect costs	<u>28,200</u>	<u>10,394</u>	<u>(17,806)</u>	Finding 4
Total direct and indirect costs	96,021	80,343	(15,678)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	<u>(23,928)</u>	<u>(20,084)</u>	<u>3,844</u>	Finding 5
Total enrollment fee collection	<u>72,093</u>	<u>60,259</u>	<u>(11,834)</u>	
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	70	70	—	
Staff training	35	35	—	
Adopt procedures, record and maintain records	—	210	210	Finding 2
Waiving student fees	75,894	17,194	(58,700)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	<u>173</u>	<u>173</u>	<u>—</u>	
Total direct costs - salaries and benefits	<u>76,172</u>	<u>17,682</u>	<u>(58,490)</u>	
Direct costs - contracted services				
Adopt procedures, record and maintain records	—	375	375	Finding 2
Waiving student fees	<u>1,500</u>	<u>—</u>	<u>(1,500)</u>	Finding 3
Total direct costs - contracted services	<u>1,500</u>	<u>375</u>	<u>(1,125)</u>	
Total direct costs	77,672	18,057	(59,615)	
Indirect costs	<u>31,672</u>	<u>2,683</u>	<u>(28,989)</u>	Finding 4
Total direct and indirect costs	109,344	20,740	(88,604)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	<u>(77,672)</u>	<u>(20,740)</u>	<u>56,932</u>	Finding 5
Total enrollment fee waivers	<u>31,672</u>	<u>—</u>	<u>(31,672)</u>	
Total program costs	<u>\$ 103,765</u>	60,259	<u>\$ (43,506)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 60,259</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 67,433	\$ 73,134	\$ 5,701	Finding 1
Total direct costs	67,433	73,134	5,701	
Indirect costs	25,894	10,173	(15,721)	Finding 4
Total direct and indirect costs	93,327	83,307	(10,020)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(21,609)	(21,318)	291	Finding 5
Total enrollment fee collection	71,718	61,989	(9,729)	
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	83	83	—	
Staff training	41	41	—	
Adopt procedures, record and maintain records	—	247	247	Finding 2
Waiving student fees	97,691	21,808	(75,883)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	206	206	—	
Total direct costs - salaries and benefits	98,021	22,385	(75,636)	
Direct costs - contracted services				
Adopt procedures, record and maintain records	—	3,900	3,900	Finding 2
Waiving student fees	16,400	—	(16,400)	Finding 3
Total direct costs - contracted services	16,400	3,900	(12,500)	
Total direct costs	114,421	26,285	(88,136)	
Indirect costs	37,641	3,656	(33,985)	Finding 4
Total direct and indirect costs	152,062	29,941	(122,121)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(114,421)	(29,941)	84,480	Finding 5
Total enrollment fee waivers	37,641	—	(37,641)	
Total program costs	\$ 109,359	61,989	\$ (47,370)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 61,989		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 75,291	\$ 74,764	\$ (527)	Finding 1
Total direct costs	75,291	74,764	(527)	
Indirect costs	23,521	11,185	(12,336)	Finding 4
Total direct and indirect costs	98,812	85,949	(12,863)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(21,434)	(32,798)	(11,364)	Finding 5
Total enrollment fee collection	77,378	53,151	(24,227)	
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	93	93	—	
Staff training	47	47	—	
Adopt procedures, record and maintain records	—	292	292	Finding 2
Waiving student fees	101,065	40,291	(60,774)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	232	232	—	
Total direct costs - salaries and benefits	101,437	40,955	(60,482)	
Direct costs - contracted services				
Adopt procedures, record and maintain records	—	3,949	3,949	Finding 2
Waiving student fees	17,394	—	(17,394)	Finding 3
Total direct costs - contracted services	17,394	3,949	(13,445)	
Total direct costs	118,831	44,904	(73,927)	
Indirect costs	31,689	6,718	(24,971)	Finding 4
Total direct and indirect costs	150,520	51,622	(98,898)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(118,831)	(51,622)	67,209	Finding 5
Total enrollment fee waivers	31,689	—	(31,689)	
Total program costs	\$ 109,067	53,151	\$ (55,916)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 53,151		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 75,629	\$ 75,804	\$ 175	Finding 1
Total direct costs	75,629	75,804	175	
Indirect costs	22,560	13,402	(9,158)	Finding 4
Total direct and indirect costs	98,189	89,206	(8,983)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(41,540)	(31,862)	9,678	Finding 5
Total enrollment fee collection	56,649	57,344	695	
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	98	98	—	
Staff training	49	49	—	
Adopt procedures, record and maintain records	—	319	319	Finding 2
Waiving student fees	112,888	44,404	(68,484)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	245	245	—	
Total direct costs - salaries and benefits	113,280	45,115	(68,165)	
Direct costs - contracted services				
Adopt procedures, record and maintain records	—	13,400	13,400	Finding 2
Waiving student fees	37,400	—	(37,400)	Finding 3
Total direct costs - contracted services	37,400	13,400	(24,000)	
Total direct costs	150,680	58,515	(92,165)	
Indirect costs	33,792	10,345	(23,447)	Finding 4
Total direct and indirect costs	184,472	68,860	(115,612)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(150,680)	(68,860)	81,820	Finding 5
Total enrollment fee waivers	33,792	—	(33,792)	
Total program costs	\$ 90,441	57,344	\$ (33,097)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 57,344		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 82,066	\$ 80,651	\$ (1,415)	Finding 1
Total direct costs	82,066	80,651	(1,415)	
Indirect costs	26,187	28,776	2,589	Finding 4
Total direct and indirect costs	108,253	109,427	1,174	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(64,550)	(43,653)	20,897	Finding 5
Total enrollment fee collection	43,703	65,774	22,071	
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	101	101	—	
Staff training	50	50	—	
Adopt procedures, record and maintain records	—	338	338	Finding 2
Waiving student fees	194,740	44,036	(145,704)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	252	252	—	
Total direct costs - salaries and benefits	195,143	49,777	(145,366)	
Direct costs - contracted services				
Adopt procedures, record and maintain records	—	4,400	4,400	Finding 2
Waiving student fees	13,400	—	(13,400)	Finding 3
Total direct costs - contracted services	13,400	4,400	(9,000)	
Total direct costs	208,543	54,177	(154,366)	
Indirect costs	62,270	19,330	(42,940)	Finding 4
Total direct and indirect costs	270,813	73,507	(197,306)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(172,650)	(73,507)	99,143	Finding 5
Total enrollment fee waivers	98,163	—	(98,163)	
Total program costs	\$ 141,866	65,774	\$ (76,092)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 65,774		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 78,437	\$ 73,087	\$ (5,350)	Finding 1
Total direct costs	78,437	73,087	(5,350)	
Indirect costs	27,735	25,756	(1,979)	Finding 4
Total direct and indirect costs	106,172	98,843	(7,329)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(61,358)	(42,377)	18,981	Finding 5
Total enrollment fee collection	44,814	56,466	11,652	
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	104	104	—	
Staff training	52	52	—	
Adopt procedures, record and maintain records	—	381	381	Finding 2
Waiving student fees	124,909	58,583	(66,326)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	260	260	—	
Total direct costs - salaries and benefits	125,325	59,380	(65,945)	
Direct costs - contracted services				
Adopt procedures, record and maintain records	—	700	700	Finding 2
Waiving student fees	2,800	—	(2,800)	Finding 3
Total direct costs - contracted services	2,800	700	(2,100)	
Total direct costs	128,125	60,080	(68,045)	
Indirect costs	44,315	21,172	(23,143)	Finding 4
Total direct and indirect costs	172,440	81,252	(91,188)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(128,125)	(81,252)	46,873	Finding 5
Total enrollment fee waivers	44,315	—	(44,315)	
Total program costs	\$ 89,129	56,466	\$ (32,663)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 56,466		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 196	\$ 196	\$ —	
Calculating and collecting enrollment fees	100,954	90,916	(10,038)	Finding 1
Total direct costs	101,150	91,112	(10,038)	
Indirect costs	29,243	29,857	614	Finding 4
Total direct and indirect costs	130,393	120,969	(9,424)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(56,425)	(39,485)	16,940	Finding 5
Total enrollment fee collection	73,968	81,484	7,516	
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	109	109	—	
Staff training	54	54	—	
Adopt procedures, record and maintain records	48,897	397	(48,500)	Finding 2
Waiving student fees	105,911	57,462	(48,449)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	272	272	—	
Total direct costs	155,243	58,294	(96,949)	
Indirect costs	44,880	19,103	(25,777)	Finding 4
Total direct and indirect costs	200,123	77,397	(122,726)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(170,008)	(77,397)	92,611	Finding 5
Total enrollment fee waivers	30,115	—	(30,115)	
Total program costs	<u>\$ 104,083</u>	81,484	<u>\$ (22,599)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 81,484</u>		
<u>July 1, 2007, through June 30, 2008</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 200	\$ 200	\$ —	
Calculating and collecting enrollment fees	108,278	97,779	(10,499)	Finding 1
Total direct costs	108,478	97,979	(10,499)	
Indirect costs	33,607	33,205	(402)	Finding 4
Total direct and indirect costs	142,085	131,184	(10,901)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(48,580)	(37,530)	11,050	Finding 5
Total enrollment fee collection	93,505	93,654	149	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008 (continued)</u>				
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	111	111	—	
Staff training	56	56	—	
Adopt procedures, record and maintain records	51,435	401	(51,034)	Finding 2
Waiving student fees	147,360	79,232	(68,128)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	278	278	—	
Total direct costs	199,240	80,078	(119,162)	
Indirect costs	61,724	27,138	(34,586)	Finding 4
Total direct and indirect costs	260,964	107,216	(153,748)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(161,309)	(107,216)	54,093	Finding 5
Total enrollment fee waivers	99,655	—	(99,655)	
Total program costs	<u>\$ 193,160</u>	93,654	<u>\$ (99,506)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 93,654</u>		
<u>July 1, 2008, through June 30, 2009</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 215	\$ 215	\$ —	
Calculating and collecting enrollment fees	119,591	100,910	(18,681)	Finding 1
Total direct costs - salaries and benefits	119,806	101,125	(18,681)	
Direct costs - materials and supplies				
Calculating and collecting enrollment fees	2,191	1,734	(457)	Finding 1
Total direct costs - materials and supplies	2,191	1,734	(457)	
Total direct costs	121,997	102,859	(19,138)	
Indirect costs	39,691	36,820	(2,871)	Finding 4
Total direct and indirect costs	161,688	139,679	(22,009)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(46,319)	(39,909)	6,410	Finding 5
Total enrollment fee collection	115,369	99,770	(15,599)	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009 (continued)</u>				
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	123	123	—	
Staff training	62	62	—	
Adopt procedures, record and maintain records	62,717	437	(62,280)	Finding 2
Waiving student fees	128,408	97,772	(30,636)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	308	308	—	
Total direct costs	191,618	98,702	(92,916)	
Indirect costs	63,484	35,937	(27,547)	Finding 4
Total direct and indirect costs	255,102	134,639	(120,463)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(190,479)	(134,639)	55,840	Finding 5
Total enrollment fee waivers	64,623	—	(64,623)	
Total program costs	<u>\$ 179,992</u>	99,770	<u>\$ (80,222)</u>	
Less amount paid by the State		(27,709)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 72,061</u>		
<u>July 1, 2009, through June 30, 2010</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 189	\$ 189	\$ —	
Calculating and collecting enrollment fees	124,626	108,435	(16,191)	Finding 1
Total direct costs - salaries and benefits	124,815	108,624	(16,191)	
Direct costs - materials and supplies				
Calculating and collecting enrollment fees	2,062	2,062	—	
Total direct costs - materials and supplies	2,062	2,062	—	
Total direct costs	126,877	110,686	(16,191)	
Indirect costs	43,473	37,671	(5,802)	Finding 4
Total direct and indirect costs	170,350	148,357	(21,993)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(51,622)	(48,169)	3,453	Finding 5
Total enrollment fee collection	118,728	100,188	(18,540)	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010 (continued)</u>				
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	122	122	—	
Staff training	61	61	—	
Adopt procedures, record and maintain records	74,545	433	(74,112)	Finding 2
Waiving student fees	152,727	116,804	(35,923)	Finding 3
Reporting BOGG fee waiver data to CCCCCO	304	304	—	
Total direct costs	227,759	117,724	(110,035)	
Indirect costs	79,327	40,827	(38,500)	Finding 4
Total direct and indirect costs	307,086	158,551	(148,535)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(198,233)	(158,513)	39,720	Finding 5
Total enrollment fee waivers	108,853	38	(108,815)	
Total program costs	<u>\$ 227,581</u>	100,226	<u>\$ (127,355)</u>	
Less amount paid by the State		(48,432)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 51,794</u>		
<u>Summary: July 1, 1998, through June 30, 2010</u>				
<b>Enrollment fee collection:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 800	\$ 800	\$ —	
Calculating and collecting enrollment fees	1,003,476	956,548	(46,928)	
Total direct costs - salaries and benefits	1,004,276	957,348	(46,928)	
Direct costs - materials and supplies				
Calculating and collecting enrollment fees	4,253	3,796	(457)	
Total direct costs - materials and supplies	4,253	3,796	(457)	
Total direct costs	1,008,529	961,144	(47,385)	
Indirect costs	348,717	251,177	(97,540)	
Total direct and indirect costs	1,357,246	1,212,321	(144,925)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(484,423)	(398,603)	85,820	
Total enrollment collection	872,823	813,718	(59,105)	

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<b>Summary: July 1, 1998, through June 30, 2010 (continued)</b>				
<b>Enrollment fee waivers:</b>				
Direct costs - salaries and benefits				
Prepare policies and procedures	1,073	1,073	—	
Staff training	537	537	—	
Adopt procedures, record and maintain records	237,594	3,637	(233,957)	
Waiving student fees	1,335,212	599,698	(735,514)	
Reporting BOGG fee waiver data to CCCCCO	<u>2,678</u>	<u>2,678</u>	<u>—</u>	
Total direct costs - salaries and benefits	<u>1,577,094</u>	<u>607,623</u>	<u>(969,471)</u>	
Direct costs - contracted services				
Adopt procedures, record and maintain records	—	27,224	27,224	
Waiving student fees	<u>90,894</u>	<u>—</u>	<u>(90,894)</u>	
Total direct costs - contracted services	<u>90,894</u>	<u>27,224</u>	<u>(63,670)</u>	
Total direct costs	1,667,988	634,847	(1,033,141)	
Indirect costs	<u>533,667</u>	<u>189,222</u>	<u>(344,445)</u>	
Total direct and indirect costs	2,201,655	824,069	(1,377,586)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	<u>(1,578,264)</u>	<u>(824,031)</u>	<u>754,233</u>	
Total enrollment fee waivers	<u>623,391</u>	<u>38</u>	<u>(623,353)</u>	
Total program costs	<u>\$ 1,496,214</u>	813,756	<u>\$ (682,458)</u>	
Less amount paid by the State		<u>(82,012)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 731,744</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## **FINDING 1— Enrollment Fee Collection: Calculating and Collecting Enrollment Fees Cost Component – unallowable ongoing costs**

The district claimed \$1,007,729 for the Calculating and Collecting Enrollment Fees cost component during the audit period. We determined that \$960,344 is allowable and \$47,385 is unallowable. The costs are unallowable because of variations in the number of students used in the district's calculations based on the student enrollment data reported to us by the California Community College Chancellor's Office (CCCCO) and the number of students who paid their enrollment fees online rather than in person. The district provided information regarding student fees paid online and in person.

The parameters and guidelines (section IV.A.2) allow ongoing activities related to costs for calculating and collecting the student enrollment fee for each student enrolled with the exception of nonresidents and special part-time students cited in Government Code section 76300, subdivision (f), for the following six reimbursable activities:

- i. Referencing student accounts and records to determine course workload, status of payments, and eligibility for fee waiver. Printing a list of enrolled courses. **[Activity 1]**
- ii. Calculating the total enrollment fee to be collected. Identifying method of payment. Collecting cash and making change as necessary. Processing credit card and other non-cash payment transactions (however, any fees that may be charged to a community college district by a credit card company or bank are not reimbursable). Preparing a receipt for a payment received. **[Activity 2]**
- iii. Answering student's questions regarding enrollment fee collection or referring them to the appropriate person for an answer. **[Activity 3]**
- iv. Updating written and computer records for the enrollment fee information and providing a copy to the student. Copying and filing enrollment fee documentation. **[Activity 4]**
- v. Collecting delinquent enrollment fees, including written or telephonic collection notices to students, turning accounts over to collection agencies, or small claims court action. **[Activity 5]**
- vi. For students who establish fee waiver eligibility after the enrollment fee has been collected, providing a refund or enrollment fees paid and updating student and district records as required. (Refund process for change in program is not reimbursable). **[Activity 6]**

The parameters and guidelines (section IV–Reimbursable Activities) also state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source documents is a document created at or

near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Civil Code of Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The following table summarizes the claimed, allowable, and audit adjustment amounts for on-going costs related to calculating and collecting enrollment fees by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
<b>Salaries and Benefits:</b>			
1998-99	\$ 50,773	\$ 52,186	\$ 1,413
1999-2000	52,577	58,933	6,356
2000-01	67,821	69,949	2,128
2001-02	67,433	73,134	5,701
2002-03	75,291	74,764	(527)
2003-04	75,629	75,804	175
2004-05	82,066	80,651	(1,415)
2005-06	78,437	73,087	(5,350)
2006-07	100,954	90,916	(10,038)
2007-08	108,278	97,779	(10,499)
2008-09	119,591	100,910	(18,681)
2009-10	124,626	108,435	(16,191)
Subtotal, salaries and benefits	1,003,476	956,548	(46,928)
<b>Materials and supplies:</b>			
2008-09	2,191	1,734	(457)
2009-10	2,062	2,062	-
Subtotal, materials and supplies	4,253	3,796	(457)
Total	\$ 1,007,729	\$ 960,344	\$ (47,385)

### Salaries and Benefits

The district claimed salaries and benefits for the six reimbursable activities under the Calculating and Collecting Enrollment Fees cost component using time allowances developed from estimated time it took staff to complete various activities through the use of employees' annual survey forms. On certification forms developed by the district's mandate

consultant, employees estimated the average time in minutes it took them to perform the six activities per student per year. The certifications were completed in May 2006 and used to claim costs for FY 1998-99 through FY 2009-10. The district did not provide any source documentation based on actual data to support the estimated time allowances.

As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Cashier's Office that actually collects enrollment fees from students. We documented the average time increments spent by district staff to perform these activities based on our observations.

In applying the time allowances, the district did not report the correct number of students related to the various reimbursable activities. We recalculated reimbursable activities using the correct number of students (multiplier). We determined that the district overstated salaries and benefits by \$46,928 for the audit period.

#### *Activities 1 through 4*

For Activities 1 through 4, the district claimed costs by multiplying the number of students by a uniform time allowance and an annual average productive hourly rate. For Activities 1, 2, and 4, the district used the number of total enrolled students as the multiplier. In determining student enrollment, the district used the "Student Headcount by Unit Load" summary report obtained from the CCCCO's (Data Mart) website. This report includes duplicated students by term. The district did not deduct ineligible non-resident and special admit students (students who attend a community college while in high school pursuant to Education Code section 76001). For Activity 3, the district used the number of total enrolled students less the number of BOGG fee waivers processed as the multiplier and, in some years, included BOGG fee waivers denied and enrollment fee refunds processed.

Based on the employees' certifications, the district developed a time allowance of 3 minutes per student for Activity 1, 1.7 minutes for Activity 2, 1.3 minutes for Activity 3 and 1.0 minutes for Activity 4. Based on our observations, we determined that the time allowances claimed for these activities are reasonable.

We also determined that the district understated the annual average productive hourly rate in each year of the audit period. As explained in Finding 6, the district's calculation was based on all employees being equally involved in performing the reimbursable activities. We recalculated the annual average productive hourly rate based on actual employees involved in calculating and collecting enrollment fee activities.

We updated the district's calculations of eligible students for Activities 1 and 3 based on the number of students enrolled, as reported to the CCCCCO, less non-resident students and special admit students. The CCCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCCO identifies the district's enrollment based on the CCCCCO's MIS data element STD 7, codes A through G. The CCCCCO eliminates any duplicate students by term based on their Social Security number.

We also updated the district's calculations of eligible students for Activities 2 and 4 by deducting the number of BOGG recipients from reimbursable student enrollments confirmed by the CCCCCO. The CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. In addition, we added the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver, and deducted students who paid their enrollment through the district's online system.

The district provided a breakdown of the number of students who paid their enrollment fees in person and through the district's online system. The district supported that students were able to pay their enrollment fees online starting in FY 2004-05. Based on information provided by the district, we determined the percentage of enrollment fees paid at the Cashier's Office in person by dividing the number of fees paid in person by the total number of fees paid. We applied the percentage we calculated to the net enrollment number (the number of students enrolled less non-resident students, special admit students and BOGG fee waiver recipients) to determine the number of enrollment fees paid in person. We then included the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver.

#### *Activity 5*

For FY 1998-99 through FY 2009-10, except FY 2000-01, the district claimed 2.7 minutes per student account to collect delinquent enrollment fees in the Cashier's Office. The time claimed for this component appears reasonable based on information provided to us by district staff. The district's claim for FY 2000-01 did not include any costs for collecting delinquent fees. We determined allowable costs for FY 2000-01 based on 2.7 minutes per delinquent account using the time allowances claimed for the other years and on supporting documentation provided by the district. For FY 2001-02, the district mistakenly omitted 994 delinquent fees processed and 225 refunds processed from their claim. We recalculated allowable costs by including the number of delinquent fees and refunds mistakenly omitted.

#### *Activity 6*

For FY 1998-99 through FY 2009-10, except FY 2000-01, the district claimed 1.3 minutes per refund transaction at the Cashier's Office for providing a refund of enrollment fees to students who established their fee waiver eligibility after paying their enrollment fees. The time allowances claimed for this component appears reasonable based on

information provided by district staff. The district's claim for FY 2000-01 did not include any costs for providing refunds to students. We determined allowable costs for FY 2000-01 based on 1.3 minutes per refund using the time allowances claimed for the other years and supporting documentation provided by the district.

#### *Calculation of Multiplier Adjustment*

The following table summarizes the claimed, allowable, and adjustment amounts for the multiplier for each reimbursable activity that took place at the district during the audit period for Activities 1 through 6.

<u>Reimbursable Activity</u>	<u>Claimed Multiplier</u>	<u>Allowable Multiplier</u>	<u>Adjusted Multiplier</u>
1	299,396	289,313	(10,083)
2	172,548	160,074	(12,474)
3	299,396	289,313	(10,083)
4	299,396	160,074	(139,322)
5	20,323	21,317	994
6	<u>2,061</u>	<u>2,286</u>	<u>225</u>
Total	<u>1,093,120</u>	<u>922,377</u>	<u>(170,743)</u>

#### *Calculation of Hours Adjustments*

We multiplied the allowable minutes per activity by the multiplier for the reimbursable activities (as identified in the table above) to determine the number of allowable hours for reimbursable Activities 1 through 6.

The following table summarizes the claimed and allowable hours for the audit period.

<u>Reimbursable Activity</u>	<u>Hours Claimed</u>	<u>Hours Allowable</u>	<u>Adjusted Hours</u>
1	15,014.60	14,465.90	(548.70)
2	4,893.70	4,535.50	(358.20)
3	6,487.10	6,268.40	(218.70)
4	4,989.80	2,667.80	(2,322.00)
5	914.50	959.20	44.70
6	<u>44.80</u>	<u>49.70</u>	<u>4.90</u>
Total Hours	<u>32,344.50</u>	<u>28,946.50</u>	<u>(3,398.00)</u>

#### *Calculation of Costs by Reimbursable Activities*

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that salaries and benefits totaling \$956,548 is allowable and \$46,928 is unallowable. The following table summarizes the claimed and allowable salaries and benefits by reimbursable activity for the audit period.

<u>Reimbursable Activity</u>	<u>Salaries and Benefits Claimed</u>	<u>Salaries and Benefits Allowable</u>	<u>Audit Adjustment</u>
1	\$ 465,961	\$ 482,509	\$ 16,548
2	149,238	143,809	(5,429)
3	201,382	209,084	7,702
4	154,901	84,587	(70,314)
5	30,668	34,984	4,316
6	1,326	1,575	249
Total	<u>\$ 1,003,476</u>	<u>\$ 956,548</u>	<u>\$ (46,928)</u>

### **Materials and Supplies**

The district claimed \$4,253 in materials and supplies during the audit period for postage costs incurred to mail letters to students with delinquent fee accounts (\$2,191 for FY 2008-09 and \$2,062 for FY 2009-10). We determined that \$3,796 is allowable and \$457 is unallowable. The costs are unallowable because of a mathematical error caused when the district used a postage rate of \$0.48 rather than \$0.38 in its calculation of claimed costs for FY 2008-09. For FY 2008-09, the district mailed 4,564 letters to these students.

### **Recommendation**

We recommended that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### **District's Response**

The district did not respond to the audit finding.

**FINDING 2—  
Enrollment Fee  
Waivers: Adopting  
Procedures, Recording  
and Maintaining  
Records Cost  
Component –  
unallowable costs**

The district claimed \$237,594 in salaries and benefits under the Adopting Procedures, Recording and Maintaining Records cost component related to documenting financial assistance provided to students for waiving enrollment fees for FY 2006-07 through FY 2009-10.

The salaries and benefits claimed relate to the reimbursable activity of “Entering Approved Application Information into District Records and Providing Student Award Letters,” which should have been claimed under the Waiving Student Fees cost component (as discussed in Finding 3).

In addition, the district incorrectly claimed \$90,894 of contract services costs related to this cost component under the Waiving Student Fees cost component. We reclassified and analyzed these costs under the Adopting Procedures, Recording and Maintaining Records cost component (as noted in Finding 3). We determined that \$27,224 is allowable for contract services. We determined that \$30,861 is allowable (\$3,637 for salaries and benefits and \$27,224 for contract services) and \$206,733 is unallowable.

The parameters and guidelines (section IV.B.2a – Reimbursable Activities – Enrollment Fee Waivers – Ongoing Activities) allow ongoing activities related to the following:

Adopting procedures that will document all financial assistance provided on behalf of students pursuant to chapter 9 of title 5 of the California Code of Regulations; and including in the procedures the rules for retention of support documentation that will enable an independent determination regarding accuracy of the districts certification of need for financial assistance. (Cal. Code Regs., tit. 5, § 58630, subd. (b).)

Recording and maintaining records that document all of the financial assistance provided to students for the waiver of enrollment fees in a manner that will enable an independent determination of the district’s certification of the need for financial assistance. (Cal. Code Regs., tit. 5, § 58630, subd. (b).)

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time that actual costs were incurred for the event or activity in question. (See Finding 1 for the specific language.)

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) require claimants to “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The parameters and guidelines (section V.A.3 – Claim Preparation and Submission–Direct Cost Reporting–Contracted Services) require claimants to “Report the name of the contractor and services performed to implement the reimbursable activities. Attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number

of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services.

The following table summarizes the claimed, allowable, and audit adjustment amounts related to Adopting Procedures, Recording and Maintaining Records cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
<b>Salaries and Benefits:</b>			
1999-2000	\$ -	\$ 182	\$ 182
2000-01	-	210	210
2001-02	-	247	247
2002-03	-	292	292
2003-04	-	319	319
2004-05	-	338	338
2005-06	-	381	381
2006-07	48,897	397	(48,500)
2007-08	51,435	401	(51,034)
2008-09	62,717	437	(62,280)
2009-10	74,545	433	(74,112)
Subtotal - salaries and benefits	<u>237,594</u>	<u>3,637</u>	<u>(233,957)</u>
<b>Contract Services</b>			
1999-2000	-	500	500
2000-01	-	375	375
2001-02	-	3,900	3,900
2002-03	-	3,949	3,949
2003-04	-	13,400	13,400
2004-05	-	4,400	4,400
2005-06	-	700	700
Subtotal - contract services	<u>-</u>	<u>27,224</u>	<u>27,224</u>
<b>Total</b>	<u>\$ 237,594</u>	<u>\$ 30,861</u>	<u>\$ (206,733)</u>

### Salaries and Benefits

Management of the district's Financial Aid Office explained how the district incurs costs to comply with the mandated activities described in the parameters and guidelines. The Financial Aid Supervisor spends five hours reevaluating the BOGG fee waiver process each year based on changes to the BOGG fee waiver application and the district's software system. The Financial Aid Supervisor updates the BOGG fee waiver information provided to students in the district's yearly Financial Aid Guide and Financial Aid Website and makes procedural changes as necessary. In addition, staff met for one hour each year of the audit period to train on changes made to the BOGG fee waiver process. Staff attending the meetings included Clerical Assistants, Senior Clerical Assistants, and Financial Aid Specialists. We determined that the time spent for BOGG fee waiver procedural changes and the staff meetings are reasonable to comply with the reimbursable activities.

The following table summarizes allowable hours per employee classification by fiscal year:

Fiscal Year	Employee Classification				Allowable Hours
	Financial Aid Supervisor	Financial Aid Specialist	Senior Clerical Assistant	Clerical Assistant	
1999-2000	5	1	1	0	7
2000-01	5	1	1	0	7
2001-02	5	1	1	0	7
2002-03	5	2	1	0	8
2003-04	5	2	1	0	8
2004-05	5	2	1	0	8
2005-06	5	2	1	1	9
2006-07	5	2	1	1	9
2007-08	5	1	2	0	8
2008-09	5	1	2	0	8
2009-10	5	1	2	0	8
Total allowable hours					<u>87</u>

We applied the audited productive hourly rates to the allowable hours per employee classification to calculate allowable costs.

### **Contract Services**

The district did not claim any contract services costs under the Adopting Procedures, Recording and Maintaining Records cost component. However, costs totaling \$90,894 for this activity were claimed under the Waiving Student Fees costs component. The amount claimed represented costs for computer software updates. We asked the Financial Aid Office Supervisor to review the contract services invoices provided by the district and advise us of the applicable percentage for each invoice that was related to BOGG fee waiver activities. Based on this analysis, we determined that \$27,224 is allowable and \$63,670 is unallowable.

### Recommendation

We recommended that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### District's Response

The district did not respond to the audit finding.

**FINDING 3—  
Enrollment Fee Waivers:  
Waiving Student Fees  
Cost Component –  
unallowable ongoing  
costs**

The district claimed \$1,426,106 for the Waiving Student Fees cost component during the audit period (\$1,335,212 in salaries and benefits and \$90,894 in contract services) in accordance with Education Code section 76300, subdivisions (g) and (h), and waiving student fees for students who apply for and are eligible for BOGG fee waivers. We determined that all of the contract services costs claimed were misclassified and should have been claimed under the Adopting Procedures, Recording and Maintaining Records cost component. Accordingly, we reclassified these costs and analyzed them in Finding 2. Of the remaining \$1,335,212 claimed for waiving student fees, we determined that \$599,698 is allowable and \$735,514 is unallowable.

The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities and misclassified contract services costs incurred under the wrong cost component. In addition, we noted variations in the number of students used in the district's calculations based on data the district reported to the CCCCCO.

The parameters and guidelines (section IV.B.2.b – Reimbursable Activities – Enrollment Fee Waivers – Ongoing Activities) allow the following ongoing reimbursable activities:

- a. Waiving student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h.) waiving fees for students who apply for and are eligible for BOG fee waiver (Cal. Code Regs., Title 5, §§ 58612, 58613, 58620).
  - i. Answering student's questions regarding enrollment fee waivers or referring them to the appropriate person for an answer. **[Activity 7]**
  - ii. Receiving of waiver applications from students by mail, fax, computer online access, or in person, or in the form of eligibility information processed by the financial aid office. **[Activity 8]**
  - iii. Evaluating each application and verification documents (dependency status, household size and income, SSI and TANF/CalWorks, etc.) for compliance with eligibility standards utilizing information provided by the student, from the student financial aid records (e.g., Free Application for Federal Student Aid (FAFSA), and other records. **[Activity 9]**
  - iv. In the case of an incomplete application or incomplete documentation, notify the student of the additional required information and how to obtain that information. Hold student application and documentation in suspense file until all information is received. **[Activity 10]**
  - v. In the case of an approved application, copy all documentation and file the information for further review or audit. Entering the approved application information into district records and / or notifying other personnel performing other parts of the process (e.g., cashier's office). Providing the student with proof of eligibility or an award letter, and file paper documents in the annual file. **[Activity 11]**

- vi. In the case of a denied application, reviewing an evaluating additional information and documentation provided by the student if the denial is appealed by the student. Provide written notification to the student of the results of the appeal or any change in eligibility status. [Activity 12]

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time that actual costs were incurred for the event or activity in question. (See Finding 1 for the specific language.)

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

The following table summarizes the claimed, allowable, and audit adjustment amounts for ongoing costs related to waiving student fees by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1999-2000	\$ 93,619	\$ 17,112	\$ (76,507)
2000-01	75,894	17,194	(58,700)
2001-02	97,691	21,808	(75,883)
2002-03	101,065	40,291	(60,774)
2003-04	112,888	44,404	(68,484)
2004-05	194,740	49,036	(145,704)
2005-06	124,909	58,583	(66,326)
2006-07	105,911	57,462	(48,449)
2007-08	147,360	79,232	(68,128)
2008-09	128,408	97,772	(30,636)
2009-10	152,727	116,804	(35,923)
Subtotal - salaries and benefits	1,335,212	599,698	(735,514)
Contract services:			
1999-2000	2,000	-	(2,000)
2000-01	1,500	-	(1,500)
2001-02	16,400	-	(16,400)
2002-03	17,394	-	(17,394)
2003-04	37,400	-	(37,400)
2004-05	13,400	-	(13,400)
2005-06	2,800	-	(2,800)
Subtotal - contract services	90,894	-	(90,894)
Total	\$ 1,426,106	\$ 599,698	\$ (826,408)

### Salaries and Benefits

The district claimed salaries and benefits during the audit period to waive student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h) and to waive fees for students who apply for and are eligible for BOGG fee waivers. Using certification forms developed by the district's mandate consultant, employees estimated the average time in minutes it took them to process BOGG fee waivers for the six reimbursable activities (activities 7 through 12) per student per year. The certifications were completed in May 2006 and used to claim costs for FY 1998-99 through FY 2009-10. The district did not provide any source documentation based on actual data to support the estimated time allowances.

The reimbursable activities and the total time claimed are as follows:

Reimbursable Activity	Minutes		
	FY 1999-2000 through FY 2005-06	FY 2006-07	FY 2007-08 through FY 2009-10
7	5.6	5.6	5.6
8	2.8	2.8	2.8
9	5.4	5.4	5.4
10	9.5	9.5	9.5
11	7.0	0.0	0.0
Total Minutes	30.3	23.3	23.3

As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Financial Aid Office who actually process students' BOGG fee waiver applications. We documented the average time increments spent by district staff to perform these activities based on our observations. Based on discussions that we had with representatives of the district's Financial Aid Office and observations that we made of district Financial Aid Office staff performing the reimbursable activities, we determined that the time increments claimed are significantly overstated.

In applying the time allowances, the district did not report the correct number of students related to the various reimbursable activities. We recalculated reimbursable activities using the correct number of students (multiplier). We determined that the district overstated salaries and benefits by \$735,514 for the audit period.

*Activities 7 through 11*

For activities 7 through 11, the district claimed costs by multiplying the number of students by a uniform time allowance and an average annual productive hourly rate. For activities 7 through 10, the district used information provided by the Financial Aid Department that was extracted from the district's computer system. For activity 11, the district used the "Student Headcount by Unit Load" summary report obtained from the CCCCO's (Data Mart) website. All of the information used by the district includes duplicated students by term.

Based on the employees' certifications, the district developed time allowances spent by staff per student on activities 7 through 11 and claimed costs based on total time increments of 30.3 minutes for FY 1999-2000 through FY 2005-06 and 23.3 minutes for FY 2006-07 through FY 2009-10.

District Financial Aid Office staff explained that staff time involvement to process a BOGG fee waiver depends on the type of BOGG fee waiver application processed. The district's Financial Aid Supervisor states that there are several methods to determine BOGG fee waiver eligibility, as follows:

- BOGG fee waiver A: Students may apply in person by filling out a paper application and must submit proof of TANF/CalWORKS, General Assistance, or Supplemental Social Security Income benefits to the Financial Aid Office to be eligible.
- BOGG fee waiver B: Waiver is based on income standards. Students may apply in person by filling out a paper application and must submit a copy of their Federal 1040 tax return. If they are a dependent, they must submit a copy of their parents' tax return. If the student/parent did not file a tax return and reports only untaxed income, then no documentation is required. However, if the income reported is unusually low, the student will need to explain how they live on such a low income and note it on the back of the application.
- BOGG fee waiver C: Data from the U.S. Free Application for Federal Student Aid (FAFSA) is downloaded into the district's computer system and is used to calculate the student's financial aid need. If the student record reflects that he/she is a California Resident and has at least \$1 of financial need, a BOGG fee waiver C will be posted to the student's account. The Financial Aid Specialists evaluate each FAFSA application along with the verification documentation. During the FAFSA evaluation process, staff review a small section related to BOGG fee waiver eligibility. If it is determined that the student is eligible for a BOGG fee waiver, staff will confirm eligibility. However, if it is determined that the student is not eligible, staff will remove the BOGG fee waiver.
- BOGG fee waiver V: Students may fill out a paper BOGG fee waiver application and must provide the appropriate required documentation to the Financial Aid Office.

We observed and documented all transactions that took place over the course of several days at the district's Financial Aid Office, although we only used the time increments that we observed for staff to perform reimbursable activities 7 through 11 in our calculations of allowable costs.

District Financial Aid Office staff explained the process to answer students' questions regarding enrollment fee waivers and then receive and manually evaluate and review appropriate supporting documentation for paper BOGG fee waivers A, B, and V applications. District staff notify students of additional required information in the case of an incomplete BOGG fee waiver application.

We observed that these activities take place in two phases. The first phase occurs as district Financial Aid Office front counter staff perform the manual processing of student fee waiver applications (activities 7 through 10). We observed 33 paper BOGG fee waiver applications that went through this first processing phase, totaling 89.68 minutes. Based on the 33 observations of district staff performing the reimbursable activities, the average time to perform the reimbursable activities 7 through 10 was 2.72 minutes.

The second phase occurs as district staff re-evaluate the paper applications for eligibility and verify documentation (activity 9), identify incomplete applications (activity 10), along with copying all documentation and filing the information for further review, in the case of an approved application (activity 11). Therefore, we timed staff performing these activities together. If staff determined that the student was eligible for a BOGG fee waiver, staff post the fee waiver, award a letter, and create a budget for the student. To complete the paper BOGG fee waiver process, staff sign and file the application. We observed 14 paper BOGG fee waiver applications that went through this second processing phase totaling 73.97 minutes. Based on the 14 paper applications observed, the average time to perform reimbursable activities 9 through 11 was 5.28 minutes.

For activity 10, we observed separately how district staff follow up on the incomplete applications previously identified, to notify students of additional required information. If an application is incomplete, staff write a comment on the paper application and insert a comment into the district's computer file explaining why the application is incomplete. This information is used to inform students of additional required information. Staff may contact the student by phone, e-mail, or by mailing the incomplete BOGG fee waiver application to the student. In addition, students may initiate communication with district staff if a BOGG fee waiver has not been posted to their account. The incomplete paper applications are filed until the required information or documentation is received. We observed follow-up for ten incomplete paper BOGG fee waivers. The average time to perform the reimbursable activity was 2.12 minutes per application.

The district staff process paperless BOGG C waiver applications at the back counters of the Financial Aid Office, representing approximately 90% of total waivers granted, involving the following activities:

- Receive waiver applications from students [**Activity 8**];
- Evaluate applications and verify documentation [**Activity 9**];
- Notify students of additional required information in the case of an incomplete waiver applications, [**Activity 10**]; and
- Copy all documentation and file the information for further review, in the case of an approved application for the paperless BOGG fee waiver C [**Activity 11**].

District staff explained how they receive and evaluate the paperless BOGG C fee waivers using the FAFSA system (activities 8 and 9). The evaluation process for paperless BOGG fee waivers is similar to the paper BOGG fee waivers process. However, there are no paper documents for the paperless process because student's information is loaded into the district's student database from the FAFSA. District staff briefly review the student's information downloaded from the FAFSA to determine if the student is indeed eligible for a BOGG fee waiver. If the student is eligible for a BOGG fee waiver, staff will post the BOGG waiver to the student's account. If staff determines that the student is not eligible due to incorrect information, the BOGG waiver will be removed. We observed 45 paperless BOGG fee waiver applications being processed (activities 7–10) totaling 59 minutes. The average time to perform the reimbursable activities was 1.32 minutes per application.

For Activity 11, Financial Aid Specialists send student award letters via e-mail to students who have been approved for a BOGG fee waiver using a batch process up to two or three times per week. Staff involvement per approved BOGG fee waiver is relatively low because this activity is performed in a batch process. Staff performed three batch processes for e-mailing award letters to students who were approved for a BOGG fee waiver. We captured and documented the time required to perform three batch processes and noted that 453 award letters were processed and sent via e-mail. We determined that the average time for the batch process totaled 6.6 seconds (0.11 minutes) per letter.

#### *Overall Results – Activities 7 through 11*

Based on the observations detailed above for reimbursable activities being performed for paper and paperless BOGG fee waivers by front counter and back counter staff at the district's Financial Aid Office, we determined that it takes 11.55 minutes for district staff to perform activities 7 through 11, which equals 2.31 minutes per reimbursable activity.

*Activity 12 – Appealing a denied BOGG fee waiver application*

There were no allowable costs for this activity. Financial Aid office managers stated that they do not have a formal appeal process for BOGG fee waiver denials. That is because denied BOGG fee waiver applications are very few in number as the guidelines to receive the fee waiver are clear and students either qualify or not. The denied BOGG fee waivers generally occur because the student's income is too high, the parent's income is too high, or the student is not a California resident. If a student's application for a BOGG fee waiver is denied, the student is advised to apply for financial aid. Therefore, students do not appeal a denied BOGG fee waiver application.

*Productive Hourly Rates*

We also determined that the district understated the annual average productive hourly rate for FY 1999-2000 through FY 2006-07. As explained in Finding 6, the district's calculation was based on all employees being equally involved in performing the reimbursable activities. The district understated the annual average productive hourly rate for FY 2007-08 through FY 2009-10. For those years, the district's calculations included a Clerical Assistant who was no longer employed at the district. We recalculated the annual average productive hourly rate for all years of the audit period based on actual employees involved in activities related to waiving student fees.

*Number of BOGG Fee Waivers*

For Activities 7, 8, and 9, we applied the time required to perform the reimbursable activity by the number of students who received BOGG fee waivers per statistics provided by the CCCCCO. Using data that the district reported, the CCCCCO identified the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. For Activity 9, we adjusted the CCCCCO information by including students whose fee waiver applications were incomplete, based on information provided by the district.

For Activity 10, we applied the time required to perform the reimbursable activity by the number of students whose fee waiver applications were incomplete based on information provided by the district.

For Activity 11, we applied the time required to perform the reimbursable activity by the number of students who received BOGG fee waivers per statistics provided by the CCCCCO.

For Activity 12, as noted above, no costs were allowable.

The following table details the claimed and allowable numbers of BOGG fee waivers processed by the district by reimbursable activity.

<u>Reimbursable Activities</u>	<u>BOGG Waivers Claimed</u>	<u>BOGG Waivers Allowable</u>	<u>Audit Adjustment</u>
7	154,812	122,651	(32,161)
8	143,812	122,651	(21,161)
9	143,812	122,651	(21,161)
10	19,270	7,186	(12,084)
11	42,867	115,465	72,598
12	4,775	-	(4,775)
Total	<u>509,348</u>	<u>490,604</u>	<u>(18,744)</u>

#### *Misstated Productive Hourly Rates*

For the audit period, we made minor adjustments to the productive hourly rate average used in the district's claims for enrollment fee collection activities. The specific details are explained in Finding 6.

#### *Calculation of Hours Adjustments*

The following table summarizes the claimed and allowable hours by reimbursable activity for the audit period.

<u>Reimbursable Activity</u>	<u>Hours Claimed</u>	<u>Hours Allowable</u>	<u>Adjusted Hours</u>
7	14,449.10	4,722.10	(9,727.00)
8	6,711.20	4,722.10	(1,989.10)
9	12,943.10	4,722.10	(8,221.00)
10	3,051.20	276.60	(2,774.60)
11	5,001.10	4,445.30	(555.80)
12	206.80	-	(206.80)
Total Hours	<u>42,362.50</u>	<u>18,888.20</u>	<u>(23,474.30)</u>

#### *Calculation of Costs by Reimbursable Activities*

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that salaries and benefits claimed totaling \$599,698 are allowable and \$735,514 are unallowable.

The following table summarizes the claimed and allowable salaries and benefits by reimbursable activity for the audit period.

<u>Reimbursable Activity</u>	<u>Salaries and Benefits Claimed</u>	<u>Salaries and Benefits Allowable</u>	<u>Audit Adjustment</u>
7	\$ 453,225	\$ 149,926	\$ (303,299)
8	215,731	149,926	(65,805)
9	416,050	149,926	(266,124)
10	101,853	8,458	(93,395)
11	142,245	141,462	(783)
12	6,108	-	(6,108)
Total	<u>\$ 1,335,212</u>	<u>\$ 599,698</u>	<u>\$ (735,514)</u>

### **Contract Services**

The district claimed \$90,894 in contract services costs under the Waiving Student Fees cost component. However, the costs were incurred for performing computer system updates related to processing BOGG fee waivers. Therefore, these costs were reclassified and analyzed under the Adopting Procedures, Recording and Maintaining records component. For details of the allowable costs, see Finding 2.

### Recommendation

We recommended that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### District's Response

The district did not respond to the audit finding.

**FINDING 4—  
Unallowable indirect  
costs**

The district claimed indirect costs during the audit period totaling \$348,717 for enrollment fee collection activities and \$533,667 for enrollment fee waiver activities. For enrollment fee collection activities, we determined that \$251,177 is allowable and \$97,540 is unallowable. For enrollment fee waiver activities, we determined that \$189,222 is allowable and \$344,445 is unallowable. The costs are unallowable because of indirect cost rate calculation errors in each year of the audit period (\$105,705) and the unallowable salaries and benefits identified in Findings 1 through 3 (\$336,280).

**Indirect Cost Rates**

For the audit period, we recalculated indirect costs using the SCO FAM-29C methodology. We calculated the allowable indirect costs rates each year by using the information contained in the California Community College Annual Financial Budget Report Expenditures by activity report (CCFS-311).

For FY 2002-03 through FY 2004-05, we used the audited indirect cost rates from our audit of the district's Health Fee Elimination Program issued on May 21, 2008. In this audit, the district prepared its indirect cost rates for FY 2002-03 and FY 2003-04 using the indirect cost principles of Title 2, *Code of Federal Regulations*, Part 220 (Office of Management and Budget Circular A-21). However, the district did not obtain federal approval for these rates. In the absence of an approved A-21 rate, the parameters and guidelines allow districts to use either the SCO FAM-29C methodology or a 7% indirect cost rate for these fiscal years. The district prepared its indirect cost rate proposals for FY 2004-05 using the SCO FAM-29C; however, the district did not complete the FAM-29C in accordance with the SCO's claiming instructions. In our audit of the Health Fee Elimination Program, we recalculated the rates for FY 2002-03 through FY 2004-05 based on the FAM-29C methodology.

Our calculations show that the district overstated its indirect cost rates for FY 1998-99 through FY 2003-04, FY 2005-06, and FY 2009-10; and understated its indirect cost rates for FY 2004-05 and FY 2006-07 through FY 2008-09.

The following table summarizes the claimed, allowable and indirect cost rate adjustments by fiscal year.

<u>Fiscal Year</u>	<u>Claimed</u>	<u>Allowable</u>	<u>Audit Adjustment</u>
1998-99	48.43%	12.22%	-36.21%
1999-2000	45.68%	12.83%	-32.85%
2000-01	41.58%	14.86%	-26.72%
2001-02	38.40%	13.91%	-24.49%
2002-03	31.24%	14.96%	-16.28%
2003-04	29.83%	17.68%	-12.15%
2004-05	31.91%	35.68%	3.77%
2005-06	35.36%	35.24%	-0.12%
2006-07	28.91%	32.77%	3.86%
2007-08	30.98%	33.89%	2.91%
2008-09	33.13%	36.41%	3.28%
2009-10	34.83%	34.68%	-0.15%

### Enrollment Fee Collection

The district claimed \$348,717 for indirect costs during the audit period related to salaries and benefits claimed for enrollment fee collection activities for FY 1998-99 through FY 2009-10. We determined that \$251,177 is allowable and \$97,540 is unallowable. The costs are unallowable because of the indirect cost rate adjustments and the unallowable salaries and benefits identified in Findings 1 through 3.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs related to enrollment fee collection by fiscal year.

<u>Fiscal Year</u>	<u>Enrollment Fee Collection</u>				
	<u>Claimed Indirect Cost Rates</u>	<u>Allowable Indirect Cost Rates</u>	<u>Claimed Cost</u>	<u>Allowable Cost</u>	<u>Audit Adjustment Collection</u>
1998-99	48.43%	12.22%	\$ 24,589	\$ 6,377	\$ (18,212)
1999-2000	45.68%	12.83%	24,017	7,561	(16,456)
2000-01	41.58%	14.86%	28,200	10,394	(17,806)
2001-02	38.40%	13.91%	25,894	10,173	(15,721)
2002-03	31.24%	14.96%	23,521	11,185	(12,336)
2003-04	29.83%	17.68%	22,560	13,402	(9,158)
2004-05	31.91%	35.68%	26,187	28,776	2,589
2005-06	35.36%	35.24%	27,735	25,756	(1,979)
2006-07	28.91%	32.77%	29,243	29,857	614
2007-08	30.98%	33.89%	33,607	33,205	(402)
2008-09	33.13%	36.41%	39,691	36,820	(2,871)
2009-10	34.83%	34.68%	43,473	37,671	(5,802)
Total			<u>\$ 348,717</u>	<u>\$ 251,177</u>	<u>\$ (97,540)</u>

### Enrollment Fee Waivers

The district claimed \$533,667 for indirect costs during the audit period related to salaries and benefits claimed for enrollment fee waivers activities for FY 1999-2000 through FY 2009-10. We determined that \$189,222 is allowable and \$344,445 is unallowable. The costs are unallowable because of the indirect cost rate adjustments and the unallowable salaries and benefits identified in Findings 1 through 3.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs related to enrollment fee waivers by fiscal year.

Fiscal Year	Enrollment Fee Waivers				
	Claimed	Allowable	Claimed Cost	Allowable Cost	Audit Adjustment Waivers
	Indirect Cost Rates	Indirect Cost Rates			
1999-2000	45.68%	12.83%	\$ 42,873	\$ 2,313	\$ (40,560)
2000-01	41.58%	14.86%	31,672	2,683	(28,989)
2001-02	38.40%	13.91%	37,641	3,656	(33,985)
2002-03	31.24%	14.96%	31,689	6,718	(24,971)
2003-04	29.83%	17.68%	33,792	10,345	(23,447)
2004-05	31.91%	35.68%	62,270	19,330	(42,940)
2005-06	35.36%	35.24%	44,315	21,172	(23,143)
2006-07	28.91%	32.77%	44,880	19,103	(25,777)
2007-08	30.98%	33.89%	61,724	27,138	(34,586)
2008-09	33.13%	36.41%	63,484	35,937	(27,547)
2009-10	34.83%	34.68%	79,327	40,827	(38,500)
Total			<u>\$ 533,667</u>	<u>\$ 189,222</u>	<u>\$ (344,445)</u>

The parameters and guidelines (section V.B-Claim Preparation and Submission-Indirect Cost Rates) state,

Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, Cost Principles of Education Institutions; (2) the rate calculated on the State Controller's Form FAM-29C; or (3) a 7% indirect cost rate.

#### Recommendation

We recommended that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District's Response

The district did not respond to the audit finding.

**FINDING 5—  
Overstated and  
understated offsetting  
reimbursements**

The district claimed offsetting reimbursements totaling \$484,423 for enrollment fee collection and \$1,578,264 for enrollment fee waivers. We determined that offsetting reimbursements for enrollment fee collection were overstated by \$85,820 and for enrollment fee waivers were overstated by \$754,233.

**Enrollment Fee Collection**

For the audit period, the district claimed offsetting reimbursements for enrollment fee collection totaling \$484,423 related to the offset of two percent of revenues from enrollment fees. We obtained a report from the CCCCCO that identified the enrollment fee collection offsets paid to the district totaling \$398,603. The district overstated offsetting savings and reimbursements by \$85,820.

The following table summarizes the overstated offsetting reimbursements for enrollment fee collection by fiscal year.

Fiscal Year	Enrollment Fee Collection Offsets		
	Claimed Offsets	Actual Offsets Confirmed by the CCCCCO	Audit Adjustment
1998-99	\$ 23,479	\$ 21,305	\$ 2,174
1999-2000	23,579	20,113	3,466
2000-01	23,928	20,084	3,844
2001-02	21,609	21,318	291
2002-03	21,434	32,798	(11,364)
2003-04	41,540	31,862	9,678
2004-05	64,550	43,653	20,897
2005-06	61,358	42,377	18,981
2006-07	56,425	39,485	16,940
2007-08	48,580	37,530	11,050
2008-09	46,319	39,909	6,410
2009-10	51,622	48,169	3,453
<b>Total</b>	<b>\$ 484,423</b>	<b>\$ 398,603</b>	<b>\$ 85,820</b>

**Enrollment Fee Waivers**

For enrollment fee waivers, we limited offsetting reimbursements received by the district to allowable direct and indirect costs. The CCCCCO confirmed that the district received \$1,497,622 for the audit period. Allowable direct and indirect costs applicable to the audit period total \$824,069. Offsets applicable to the audit period total \$824,031. The district claimed \$1,578,264. Consequently, the district overstated allowable enrollment fee waivers offsets by \$754,233.

The following table summarizes the overstated enrollment fee waiver offsetting reimbursements by fiscal year:

Enrollment Fee Waivers Offsets					
Fiscal Year	Actual Offsets Confirmed by the CCCCO	Allowable Direct and Indirect Costs	Offsets Applicable to Audit	Claimed Offsets	Audit Adjustment
1999-2000	\$ 94,280	\$ 20,344	\$ 20,344	\$ 95,856	\$ 75,512
2000-01	103,249	20,740	20,740	77,672	56,932
2001-02	106,308	29,941	29,941	114,421	84,480
2002-03	114,575	51,622	51,622	118,831	67,209
2003-04	138,806	68,860	68,860	150,680	81,820
2004-05	178,761	73,507	73,507	172,650	99,143
2005-06	163,974	81,252	81,252	128,125	46,873
2006-07	153,686	77,397	77,397	170,008	92,611
2007-08	143,692	107,216	107,216	161,309	54,093
2008-09	141,778	134,639	134,639	190,479	55,840
2009-10	158,513	158,551	158,513	198,233	39,720
Total	<u>\$ 1,497,622</u>	<u>\$ 824,069</u>	<u>\$ 824,031</u>	<u>\$ 1,578,264</u>	<u>\$ 754,233</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee waivers costs total \$673,591 as follows:

Enrollment Fee Waivers			
Fiscal Year	Actual Offsets Confirmed by the CCCCO	Offsets Applicable to Audit	Unused Portion of Offsets
1999-2000	\$ 94,280	20,344	73,936
2000-01	103,249	20,740	82,509
2001-02	106,308	29,941	76,367
2002-03	114,575	51,622	62,953
2003-04	138,806	68,860	69,946
2004-05	178,761	73,507	105,254
2005-06	163,974	81,252	82,722
2006-07	153,686	77,397	76,289
2007-08	143,692	107,216	36,476
2008-09	141,778	134,639	7,139
2009-10	158,513	158,513	-
Total	<u>\$ 1,497,622</u>	<u>\$ 824,031</u>	<u>\$ 673,591</u>

The parameters and guidelines (section VII-Offsetting Savings and Reimbursements) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including, but not limited to services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

**Enrollment Fee Collection Program:**

The cost of the Enrollment Fee Collection program are subject to an offset of two percent (2%) of the revenue from enrollment fees (Ed. Code, 76000, subd.(c))

**Enrollment Fee Waiver Program:**

The costs of the Enrollment Fee Waiver program are subject to the following offsets:

July 1, 1999 to July 4, 2000:

- For low income students or recipients of public assistance, or dependents or surviving spouses of National Guard soldiers killed in the line of duty as defined:
  - An offset identified in Education Code section 76300, subdivision ( m ), that requires the community college Board of Governors, from funds in the annual budget act, to allocated to community college two percent (2%) of the fees waived, under subdivision (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined] of section 76300; and
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined), or dependents or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived:
  - From funds provided in the annual State Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to seven (7%) of the fee waivers provided, pursuant to subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and 9h0 [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined].

Beginning July 5, 2000:

- For low-income students (as defined), or recipient of public assistance (as defined) or dependent or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived (as defined):
  - An offset identified in Education Code section 76300, subdivision (m), that requires the Community College Board of Governors, from funds in the annual budget act, to allocate to community colleges two (2%) of the fees waived, under subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents of California National Guard soldiers killed in the line of duty as defined] of section 76300;
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined) for whom fees are waived:

- Requires the Board of Governors to allocate from funds in the annual State Budget Act ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or California National Guard soldiers killed in the line of duty as defined].
- Any budget augmentation received under the Board Financial Assistance Program Administrative Allowance, or any other state budget augmentation received for administering the fee waiver program.

#### Recommendation

We recommended that the district report the applicable offsetting reimbursements for the Enrollment Fee Collection and Waivers Program on its mandated cost claims based on information provided by the CCCCCO.

#### District's Response

The district did not respond to the audit finding.

**FINDING 6—  
Misstated Productive  
Hourly Rates for  
Calculating and  
Collecting Enrollment  
Fees Cost Component  
and Waiving Student  
Fees Cost Component**

For the audit period, the district calculated average productive hourly rates separately for employees involved in calculating and collecting enrollment fees and for employees involved in waiving student fees. The district calculated its average productive hourly rates using a straight average methodology. However this methodology is based on the assumption that all employees were equally involved in performing the reimbursable activities.

We determined that the average productive hourly rates should be weighted according to staff productive hours. For the audit period, we made minor adjustments to the productive hourly rate average used in the district's claims for enrollment fee collection activities.

For the audit period, the district calculated an average productive hourly rate for the employees involved in enrollment fee collection activities by calculating each employee's productive hourly rate, adding up the total of individual productive hourly rates, and dividing by the number of employees. We revised the calculation by weighing the individual rates by the hours applicable hours worked. As a result, the audited average productive hourly rate that we used to compute allowable costs increased from 2% to 8%.

The parameters and guidelines (section V – Claim Preparation and Submission-Direct Cost Reporting-Salaries and Benefits) state that, for salaries and benefits, claimants are required to:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The SCO's claiming instructions state that one of three options may be used to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800 annual productive hours for all employees. (The 1,800 annual productive hours excludes time for paid holidays, vacation earned, sick leave taken, informal time off, jury duty, and military leave taken).

For FY 1998-99 through FY 2005-06, the district used different annual productive hours for each employee and provided adequate support showing how it determined a base of less than 1,800 productive hours for each employee claimed.

The district did not calculate actual productive hourly rates for FY 2006-07 through FY 2009-10. Instead, the district calculated productive hourly rates by increasing the previous year's salaries and benefits by a fixed percentage, starting with FY 2005-06 amounts. For FY 2006-07, the district calculated productive hourly rates by increasing staff salary and benefit amounts by 5.98% from FY 2005-06 amounts. For FY 2007-08, the district calculated productive hourly rates by increasing

staff salary and benefit amounts by .05% from FY 2006-07 amounts. For FY 2008-09, the district calculated productive hourly rates by increasing staff salary and benefit amounts by 2.34% from the previous year's amounts. For FY 2009-10, the district used the same productive hourly rates that it used for FY 2008-09.

During the course of the audit, the Chief Accounting Officer provided us with actual employee salary and benefit information for FY 2006-07 through FY 2009-10. We recalculated productive hourly rates using this information. We applied the audited productive hourly rates and made adjustments to allowable costs accordingly.

For all years of the audit period, the district included the Financial Aid Supervisor in its average productive hourly rate calculation for enrollment fee waivers activities as if the Supervisor had worked full-time for reimbursable activities under the Enrollment Fee Waivers cost component. This assumption was not reasonable based on our observations of the reimbursable activities performed by district staff.

The Financial Aid Supervisor informed us that approximately 60 hours (4%) of her 1,672 annual productive hours relate to BOGG fee waiver activities. We recalculated the productive hourly rate average by using 4% of the Financial Aid Supervisor's total annual salary and total productive hours.

In addition, we noted that the district's average productive hourly rate calculations for enrollment fee waivers activities for FY 2007-08 through FY 2009-10 included a Clerical Assistant who no longer was employed by the district.

The following table summarizes the changes that we made to average productive hourly rates for enrollment fee collection activities by fiscal year.

Fiscal Year	Calculating and Collecting Enrollment Fee Collection		
	Claimed Average Productive Hourly Rate	Audited Average Productive Hourly Rate	Audit Adjustment
1998-99	\$ 20.59	\$ 22.17	\$ 1.58
1999-2000	22.44	24.24	1.80
2000-01	27.98	28.63	0.65
2001-02	25.79	27.81	2.02
2002-03	28.08	29.84	1.76
2003-04	30.46	32.18	1.72
2004-05	32.15	33.90	1.75
2005-06	33.79	35.51	1.72
2006-07	35.81	41.09	5.28
2007-08	35.99	40.31	4.32
2008-09	36.83	40.44	3.61
2009-10	36.83	40.82	3.99

The following table summarizes the changes that we made to average productive hourly rates for enrollment fee waiver activities by fiscal year.

Fiscal Year	Waiving Student Fees		
	Claimed Average Productive Hourly Rate	Audited Average Productive Hourly Rate	Audit Adjustment
1998-99	\$ -	\$ -	\$ -
1999-2000	21.20	17.54	(3.66)
2000-01	23.45	17.95	(5.50)
2001-02	27.68	20.97	(6.71)
2002-03	26.62	21.13	(5.49)
2003-04	30.79	25.19	(5.60)
2004-05	34.12	29.54	(4.58)
2005-06	34.49	31.61	(2.88)
2006-07	36.55	31.32	(5.23)
2007-08	36.73	40.96	4.23
2008-09	37.59	43.50	5.91
2009-10	37.59	43.02	5.43

#### Recommendation

We recommended that the district ensure that productive hourly rates are calculated in accordance with the guidance provided in the SCO's claiming instructions.

#### District's Response

The district did not respond to the audit finding.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**