

CONTRA COSTA 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, 2006



JOHN CHIANG
California State Controller

March 2011



JOHN CHIANG
California State Controller

March 16, 2011

John T. Nejedly
President, Board of Trustees
Contra Costa Community College District
500 Court Street
Martinez, CA 94553

Dear Mr. Nejedly:

The State Controller's Office audited the costs claimed by the Contra Costa 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, 2006.

The district claimed \$9,521,848 for the mandated program. Our audit disclosed that \$7,728,127 is allowable, and \$1,793,721 is unallowable primarily because the district overstated salaries and benefits, and understated offsetting savings/reimbursements. The State made no payment to the district. The State will pay allowable costs claimed totaling \$7,728,127, 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 Web site at 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/wm

cc: Helen Benjamin, Chancellor
Contra Costa Community College District
Judy Breza, Director of Fiscal Services
Contra Costa Community College District
Christine Atalig, Auditor
Fiscal Services Unit
California Community Colleges Chancellor's Office
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	3
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	7
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Contra Costa 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, 2006.

The district claimed \$9,521,848 for the mandated program. Our audit disclosed that \$7,728,127 is allowable, and \$1,793,721 is unallowable primarily because the district overstated salaries and benefits, and understated offsetting savings/reimbursements. The State made no payment to the district. The State will pay allowable costs claimed totaling \$7,728,127, 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 (BOGG) 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 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 BOG fee waivers.
- Reporting to the Community Colleges Chancellor the number of and amounts provided for Board of Governors 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, 2006.

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. Except for the issue noted below, 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 were unable to assess fraud risk because the district, based on its consultant's advice, did not respond to our inquiries regarding fraud assessment. We increased our substantive testing; however, increased testing would not necessarily identify a fraud or abuse that may have occurred.

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.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district declined our request.

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 Contra Costa Community College District claimed \$9,521,848 for costs of the Enrollment Fee Collection and Waivers Program. Our audit disclosed that \$7,728,127 is allowable and \$1,793,721 is unallowable.

The State made no payment to the district. The State will pay allowable costs claimed contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on February 25, 2011. Kindred Murillo, Ed.D., Vice Chancellor, Districtwide Administrative Services, responded by letter dated March 9, 2011 (Attachment), disagreeing with the audit findings. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Contra Costa 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

March 16, 2011

Schedule 1— Summary of Program Costs July 1, 1998 through June 30, 2006

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits	\$ 717,659	\$ 586,012	\$ (131,647)	Finding 1
Indirect costs	244,004	199,244	(44,760)	Finding 1
Total direct and indirect costs	961,663	785,256	(176,407)	
Less enrollment fee revenue offset	(38,430)	(104,982)	(66,552)	Finding 2
Total program costs	<u>\$ 923,233</u>	<u>\$ 680,274</u>	<u>\$ (242,959)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 680,274</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits	\$ 891,552	\$ 837,513	\$ (54,039)	Finding 1
Materials and supplies	2,189	2,189	—	
Total direct costs	893,741	839,702	(54,039)	
Indirect costs	303,128	284,755	(18,373)	Finding 1
Total direct and indirect costs	1,196,869	1,124,457	(72,412)	
Less enrollment fee revenue offset	(35,233)	(92,480)	(57,247)	Finding 2
Less enrollment fee waiver offset	(122,142)	(169,179)	(47,037)	Finding 2
Total program costs	<u>\$ 1,039,494</u>	<u>\$ 862,798</u>	<u>\$ (176,696)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 862,798</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits	\$ 942,757	\$ 834,067	\$ (108,690)	Finding 1
Materials and supplies	2,347	2,347	—	
Total direct costs	945,104	836,414	(108,690)	
Indirect costs	320,538	283,583	(36,955)	Finding 1
Total direct and indirect costs	1,265,642	1,119,997	(145,645)	
Less enrollment fee revenue offset	(33,229)	(102,212)	(68,983)	Finding 2
Less enrollment fee waiver offset	(128,380)	(141,448)	(13,068)	Finding 2
Total program costs	<u>\$ 1,104,033</u>	<u>\$ 876,337</u>	<u>\$ (227,696)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 876,337</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits	\$ 1,113,657	\$ 894,042	\$ (219,615)	Finding 1
Materials and supplies	<u>2,556</u>	<u>2,556</u>	<u>—</u>	
Total direct costs	1,116,213	896,598	(219,615)	
Indirect costs	<u>378,643</u>	<u>303,974</u>	<u>(74,669)</u>	Finding 1
Total direct and indirect costs	1,494,856	1,200,572	(294,284)	
Less enrollment fee revenue offset	(256,938)	(103,001)	153,937	Finding 2
Less enrollment fee waiver offset	<u>—</u>	<u>(135,778)</u>	<u>(135,778)</u>	Finding 2
Total program costs	<u>\$ 1,237,918</u>	\$ 961,793	<u>\$ (276,125)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 961,793</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 1,132,835	\$ 1,074,459	\$ (58,376)	Finding 1
Materials and supplies	<u>2,761</u>	<u>2,761</u>	<u>—</u>	
Total direct costs	1,135,596	1,077,220	(58,376)	
Indirect costs	<u>371,569</u>	<u>352,422</u>	<u>(19,147)</u>	Finding 1
Total direct and indirect costs	1,507,165	1,429,642	(77,523)	
Less enrollment fee revenue offset	(18,523)	(112,221)	(93,698)	Finding 2
Less enrollment fee waiver offset	<u>(125,791)</u>	<u>(137,493)</u>	<u>(11,702)</u>	Finding 2
Total program costs	<u>\$ 1,362,851</u>	\$ 1,179,928	<u>\$ (182,923)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,179,928</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 1,193,695	\$ 1,110,501	\$ (83,194)	Finding 1
Materials and supplies	<u>3,317</u>	<u>3,317</u>	<u>—</u>	
Total direct costs	1,197,012	1,113,818	(83,194)	
Indirect costs	<u>391,532</u>	<u>364,244</u>	<u>(27,288)</u>	Finding 1
Total direct and indirect costs	1,588,544	1,478,062	(110,482)	
Less enrollment fee revenue offset	(48,963)	(153,158)	(104,195)	Finding 2
Less enrollment fee waiver offset	<u>(116,190)</u>	<u>(175,286)</u>	<u>(59,096)</u>	Finding 2
Total program costs	<u>\$ 1,423,391</u>	\$ 1,149,618	<u>\$ (273,773)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,149,618</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 1,129,466	\$ 1,048,208	\$ (81,258)	Finding 1
Materials and supplies	3,814	3,814	—	
Total direct costs	1,133,280	1,052,022	(81,258)	
Indirect costs	370,465	343,812	(26,653)	Finding 1
Total direct and indirect costs	1,503,745	1,395,834	(107,911)	
Less enrollment fee revenue offset	(48,713)	(212,346)	(163,633)	Finding 2
Less enrollment fee waiver offset	(228,926)	(208,847)	20,079	Finding 2
Total program costs	<u>\$ 1,226,106</u>	\$ 974,641	<u>\$ (251,465)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 974,641</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 1,104,485	\$ 1,096,981	\$ (7,504)	Finding 1
Materials and supplies	4,386	4,386	—	
Total direct costs	1,108,871	1,101,367	(7,504)	
Indirect costs	362,271	359,810	(2,461)	Finding 1
Total direct and indirect costs	1,471,142	1,461,177	(9,965)	
Less enrollment fee revenue offset	(46,303)	(228,260)	(181,957)	Finding 2
Less enrollment fee waiver offset	(220,017)	(190,179)	29,838	Finding 2
Total program costs	<u>\$ 1,204,822</u>	\$ 1,042,738	<u>\$ (162,084)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,042,738</u>		
<u>Summary: July 1, 1998, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 8,226,106	\$ 7,481,783	\$ (744,323)	
Materials and supplies	16,984	16,984	—	
Contract services	4,386	4,386	—	
Total direct costs	8,247,476	7,503,153	(744,323)	
Indirect costs	2,742,150	2,491,844	(250,306)	
Total direct and indirect costs	10,989,626	9,994,997	(994,629)	
Less enrollment fee revenue offset	(526,332)	(1,108,660)	(582,328)	
Less enrollment fee waiver offset	(941,446)	(1,158,210)	(216,764)	
Total program costs	<u>\$ 9,521,848</u>	\$ 7,728,127	<u>\$ (1,793,721)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,728,127</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overstated salaries
and benefits**

The district claimed unallowable salaries and benefits of \$744,323. The costs are unallowable because the district did not provide documentation supporting some of its costs totaling \$89,348 and made errors when applying time allowances totaling \$654,975. The related indirect cost is \$250,306.

Unsupported Costs

The district did not provide contemporaneous documentation supporting hours claimed for one-time activities and ongoing costs related to adopting procedures for documenting financial assistance, recording and recordkeeping. The unsupported costs total \$22,081 for enrollment fee collection and \$67,267 for enrollment fee waivers.

The unsupported costs related to the following activities claimed:

	Enrollment Fee Collection	Enrollment Fee Waivers	Total
One-time activities:			
Prepare district policies and procedures	\$ (15,475)	\$ (14,537)	\$ (30,012)
Staff training (once per employee)	<u>(6,606)</u>	<u>(18,888)</u>	<u>(25,494)</u>
Subtotal	(22,081)	(33,425)	(55,506)
Ongoing activities:			
Adopt procedures for documenting financial assistance, recording, and recordkeeping	<u>—</u>	<u>(33,842)</u>	<u>(33,842)</u>
Total	<u>\$ (22,081)</u>	<u>\$ (67,267)</u>	<u>\$ (89,348)</u>

For the one-time activity of preparing district policies and procedures, the district claimed costs for fiscal year (FY) 1998-99 through FY 2005-06 for enrollment fee collection costs totaling \$21,246 and for FY 1999-2000 through FY 2005-06 for enrollment fee waivers costs totaling \$18,373. The district provided daily time records for the enrollment fee collection costs for FY 1998-99 through FY 2000-01. We allowed these costs totaling \$5,771. The district supported the remaining costs with estimates; it provided no contemporaneous documents supporting the costs claimed. For enrollment fee waivers costs, the district provided copies of its current policies and procedures for each of the three colleges. We allowed the one-time enrollment fee waiver costs for FY 1999-2000 of \$3,836. The unsupported costs total \$30,012.

For the one-time activity of staff training, the district claimed enrollment fee collection costs totaling \$10,315 for FY 2001-02 through FY 2005-06 and enrollment fee waiver costs totaling \$24,351 for FY 1999-2000 through FY 2005-06. The district supported the costs with estimates; it provided no contemporaneous documentation (e.g., agenda, sign-in sheets, or employee time records). We allowed costs in the first year employees were claimed, totaling \$3,709 for enrollment fee collection costs and \$5,463 of enrollment fee waivers costs. The parameters and guidelines only allow one-time staff training per

employee. Many of the same employees were claimed in four of the eight fiscal years in the audit period. In addition, two of the employees were claimed in six of the eight fiscal years for fee collections and seven of the eight fiscal years for fee waivers. The unallowable costs total \$25,494.

For ongoing costs of adopting procedures for documenting financial assistance, recording and recordkeeping, the district claimed costs for FY 1999-2000 through FY 2005-06 totaling \$33,842. The district supported the costs with estimates; it provided no contemporaneous documentation supporting the costs claimed. Furthermore, the district provided no documentation supporting that the procedures were adopted.

Errors in Application of Time Allowances for Ongoing Activities

The district claimed salaries and benefits for six enrollment fee collection activities and six enrollment fee waiver activities using an average time allowance per activity developed from annual survey forms submitted by staff. The district's mandate consultant developed the survey forms. Annual survey forms were completed by an average of 24 employees for enrollment fee collection activities and 18 employees for enrollment fee waiver activities for the audit period. Staff members who completed the survey forms estimated the amount of time it took them to complete various activities. Surveys for the audit period were completed by staff in March 2006. The instructions for completing the surveys were limited to the general description on the form from the language in the reimbursable section of the parameters and guidelines. The consultant indicated that there was no clarification provided to employees as to the context of reimbursable activities and no post-survey analysis was performed as to the reasonableness of the average time recorded. The consultant took the time recorded on the survey forms and divided it by the number of responses without verifying the time recorded on the survey forms. For instance, a Senior Admissions and Records Assistance employee recorded 64 minutes on the survey form for activities (1) through (4) discussed below in each year from FY 2002-03 through FY 2005-06. Though the time appears excessive compared to other minutes recorded, the district did not make any adjustment for the time. All responses were given equal weight even though all employees surveyed did not perform the mandated activities at the same level.

In applying the time allowances, the district did not report the correct number of students related to the various cost activities. We recalculated reimbursable activities and determined that the district overstated salaries and benefits by the net amount of \$654,975 (overstated enrollment fee collection costs of \$740,899 and understated enrollment fee waiver costs of \$85,924).

Enrollment Fee Collection

During 1999, the district implemented a telephone registration process, TREG. This system allowed students to automatically register and make payments of their enrollment fees. In the spring of 2002, the district implemented an internet registration system, WebAdvisor, which allowed students to register and pay enrollment fees via the internet.

For enrollment fee collection costs, the district claimed costs related to the following activities: (1) referencing student accounts and printing a list of enrolled courses; (2) calculating the fees, processing the payment, and preparing a payment receipt; (3) answering student questions or referring them to an appropriate person for an answer; (4) updating student records for the enrollment fee information, providing a copy to the student, and copying/filing enrollment fee documentation; (5) collecting delinquent fees; and (6) processing fee refunds for students who establish fee waiver eligibility and updating student and district records as required. The district determined reimbursable costs by applying a multiplier to the time allowances it determined through its time survey.

For activities (1) and (3), the district used total enrolled students as the multiplier. For activities (2) and (4), the district used students paying the enrollment fee as the multiplier. The district did not support the numbers it used for the multiplier. We updated the district's calculation based on student enrollment and fee waiver information documented by the California Community Colleges Chancellor's Office (CCCCO) from information provided by the district. Based on updated student enrollment and waiver information, we determined that \$726,048 was overstated because of calculation errors for activities (1) through (4).

When students used the automated system, district staff did not perform reimbursable mandated activities such as referencing student accounts, calculating and collecting student fees, and updating computer records for the enrollment fee information and providing a copy to the student. The district claimed reimbursement for fee collections based on all students paying fees and did not identify or exclude those students who paid through the automated telephone system or online through the internet.

For activities (1) through (4), district staff claimed between 19.3 and 21.6 minutes per student per summer session and both the fall and spring terms to perform the mandated activities. The district did not exclude students that paid the enrollment fees through an automated system. We requested information from the district to identify the number of students who should be subtracted when calculating reimbursable fee collections. The district provided information extracted from its Information Technology Department; however, we were unable to determine the number of students to exclude based on the information provided.

The calculation errors for activities (1) through (4) occurred for the following reasons:

- For activities (1) and (3), the district claimed costs for reimbursable student enrollment numbers that did not agree with the enrollment numbers documented by the CCCCCO. Reimbursable student enrollment excludes non-resident and special part-time students (students who attend a community college while in high school pursuant to Education Code section 76001). We obtained student enrollment, non-resident student, and special part-time student numbers from the CCCCCO. 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 based on their social security numbers.

- For activities (2) and (4), the district did not provide support for its calculation of the total number of students paying the fee. We calculated reimbursable students paying the fees by deducting BOGG recipients from reimbursable student enrollments. In calculating enrollment fee waivers (for activities (7) through (10), below) we used the number of BOGG recipients maintained by the CCCCCO based on data the district reported. The CCCCCO identifies the number of BOGG recipients based on MIS data element SF21 and all codes with the first letter of B or F.

For activity (5), the district claimed delinquent fee collection costs of \$34,550 based on the number of accounts receivable for FY 2002-03 through FY 2005-06. However, the district provided documentation supporting increased numbers of accounts receivable. Based on the updated information, we allowed \$36,341, an increase of \$1,791.

For activity (6), the district claimed \$16,642 in costs based on the number of students who received a refund. The district provided no documentation supporting any fee refunds. We determined that the entire amount claimed is unallowable.

We recalculated reimbursable on-going enrollment fee collection costs for activities (1) through (6) and determined that the district overstated allowable costs by \$740,899.

Enrollment Fee Waivers

For enrollment fee waivers costs, the district claimed costs related to the following activities: (7) answering student questions or referring them to an appropriate person for an answer; (8) receiving waiver applications; (9) evaluating waiver applications; (10) providing notice to students that additional documents were needed to complete the application; (11) inputting approved applications; and (12) reviewing and evaluating additional information and documentation for denied applications if appealed, and providing students written notifications of the appeal results or any change in eligibility status.

For activities (7) through (9), the district used the number of enrollment fee waivers requested for the audit period. For activity (10), the district used the number of enrollment fee waivers requested for FY 1999-2000 through FY 2004-05 and fee waivers denied for FY 2005-06. The district did not support that it requested additional documentation for every fee waiver requested by students. For activity (12), the district used the number of enrollment fee waivers denied.

The district did not support the numbers it used for enrollment fee waivers approved. Therefore, for activity (11), we used the number of BOGG recipients maintained by the CCCCCO based on data the district reported. From this amount, we deducted the number of fee waivers reported by the district in determining the number of enrollment fee waivers requested for use in the calculation for activities (7) through (10). For activity (12), we used the number of denied waivers reported by the district.

We recalculated reimbursable on-going enrollment fee waivers costs for activities (7) through (12). The district claimed \$1,517,265. We determined that the district understated allowable costs by \$85,924.

The following table details the unallowable salaries and benefits by unsupported costs, errors in application of time survey, and related indirect costs for ongoing activities:

Fiscal Year	Unsupported Costs			Errors in Application of Time Survey			Audit Adjust-ment	Related Indirect Costs
	Enroll-ment Fee Collection	Enroll-ment Fee Waivers	Subtotal	Enroll-ment Fee Collection	Enroll-ment Fee Waivers	Subtotal		
1998-99	\$ —	\$ —	\$ —	\$(131,647)	\$ —	(131,647)	\$(131,647)	\$(44,760)
1999-2000	—	(5,845)	(5,845)	(1,596)	(46,598)	(48,194)	(54,039)	(18,373)
2000-01	—	(12,631)	(12,631)	(37,682)	(58,377)	(96,059)	(108,690)	(36,955)
2001-02	(3,555)	(11,269)	(14,824)	(136,667)	(68,124)	(204,791)	(219,615)	(74,669)
2002-03	(5,797)	(10,478)	(16,275)	(78,639)	36,538	(42,101)	(58,376)	(19,147)
2003-04	(5,876)	(9,836)	(15,712)	(107,719)	40,237	(67,482)	(83,194)	(27,288)
2004-05	(3,751)	(8,303)	(12,054)	(118,594)	49,390	(69,204)	(81,258)	(26,653)
2005-06	(3,102)	(8,905)	(12,007)	(128,355)	132,858	4,503	(7,504)	(2,461)
Total	<u>\$ (22,081)</u>	<u>\$ (67,267)</u>	<u>\$ (89,348)</u>	<u>\$(740,899)</u>	<u>\$ 85,924</u>	<u>\$(654,975)</u>	<u>\$(744,323)</u>	<u>\$(250,306)</u>

Education Code section 76300 authorizes community college districts to calculate and collect student enrollment fees and to waive student fees in certain instances. The code directs districts to report the number of, and amounts provided for, BOGG and to adopt procedures that will document all financial assistance provided on behalf of students.

The program’s parameters and guidelines (section IV.–Reimbursable Activities) state,

... 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 document is a document created at or near the same time the actual cost was incurred for the event or activity in question.

The parameters and guidelines also state that salaries and benefits are reimbursable if claimants report each employee implementing the reimbursable activities by name, job classification, productive hourly rate, and provide a description of the specific reimbursable activities performed and the hours devoted to these activities.

The parameters and guidelines state that the preparation of policies and procedures is reimbursable as a one-time activity for the collection of enrollment fees and for determining which students are eligible for waiver of the enrollment fees. The CSM Final Staff Analysis and Proposed Parameters and Guidelines dated January 13, 2006, for one-time activities of adopting policies and procedures states, “. . . staff finds that updates to the policies and procedures would be subject to change in the community college district’s policy rather than state law, and would not be reimbursable.”

The parameters and guidelines also state that staff training is reimbursable as a one-time cost per employee for training district staff that implement the program on the procedures for the collection of enrollment fees and for determining which students are eligible for waiver of the enrollment fee. Consistent with the Final Staff Analysis for policies and procedures, training for changes in the community college district’s policy is not reimbursable.

Recommendation

We recommend that the district:

- Maintain records that document actual time spent on mandate-related activities;
- Ensure the validity of any time studies used in determining reimbursable costs;
- Maintain documentation that identifies the number of students subject to reimbursement pursuant to Education Code section 76300 as reported to the CCCCO; and
- Adjust for students who pay their enrollment fee through an automated system (rather than in person) when calculating enrollment fee collection costs.

We further recommend that any surveys used in developing uniform time allowances are:

- Developed with sufficient instructions to clarify reimbursable activities;
- Independently verified with physical observation and inquiries to ensure that time allowances applied to students are accurate and reasonable; and
- Projected in a manner to produce a result that is representative of employees performing the reimbursable activities.

District's Response

1. Unsupported Costs

A total of \$89,348 was disallowed for staff time claimed for policies and procedures and staff training due to lack of supporting documentation and for duplicate time claimed for "one-time" training activities.

A. Supporting Documentation

The draft audit report states that the disallowed policies and procedures and some of the staff training time was not supported by contemporaneous documentation of time spent or corroborating evidence of activities performed. None of the time was disallowed as unreasonable. The audit report characterizes the disallowed time as "estimates." It should be noted that the parameters and guidelines were adopted January 26, 2006, and the first claiming instructions for the initial fiscal years were released thereafter. The District had no actual notice of approved reimbursement for this program until that time. It seems unreasonable to require contemporaneous documentation of daily staff time for the retroactive initial fiscal years. While some historic staff time can be reconstructed from calendars and desk diaries, other staff time cannot and must be reported as good-faith estimate. While the District disagrees with the audit report recommendation that the District maintain records that document actual time spent on mandate-related activities, it would be a more realistic standard for fiscal years after the initial fiscal year claims.

B. One-time Activities

The draft audit report disallows claimed training time for employees who were claimed more than once during the eight fiscal years in the audit report. None of the time was disallowed as unreasonable. The parameters and guidelines identify the policy and procedures preparation and staff training activities as "one-time per employee." However, it should be considered that the content of the training would change over the span of years, thus the content would be a new one-time activity for repeat staff members. The language of Education Code section 76300 changes frequently and the subject matter of the relevant Title 5, CCR, sections maybe updated by the Board of Governors. There are also local changes in duties and procedures as a result of the change in the enrollment and registration process, for example, the evolving TREG and Web Advisor systems noted in the audit report. It should also be anticipated that the name of the supervisors or managers conducting the training would appear in the claims for several years. There should not be a blanket disallowance of staff time for persons whose name appears more than once without a determination of whether the subject matter of the training was duplicate of previously claimed training activities

2. Time Allowance for Ongoing Activities

The draft audit report identifies overstated costs of \$740,899 for ongoing enrollment fee collection activities and understated costs of \$85,924 for enrollment fee waiver activities, for a total adjustment amount of \$654,975.

The District's computation of ongoing costs is based on an average time reported from the March 2006 survey of relevant program staff of the amount of time (usually in minutes) required to complete the twelve activity components. These average times were multiplied by workload multipliers that closely approximate the number of students who paid enrollment fees and the number of students for whom enrollment fees were waived. The total hours per activity component was multiplied by either the specific productive hourly rate of the person performing the activity, or an average hourly rate when there were several persons in similar job classifications performing the activity.

The auditor utilizes enrollment BOGG-waiver statistics from the Chancellor's Office to approximate the number of students who paid enrollment fees and the number of students from whom enrollment fees were waived, while the District utilized information available from district records at the time the annual claims were prepared so some variances can be expected. Variances would result from the students who enrolled and paid enrollment fees, but thereafter left the district so they may not appear later in the Chancellor's statistics as an enrolled student. Another source of variance would be the time spent on waiver applications. There are more applications for waivers than waivers granted, which is not reflected by the Chancellor's statistics. The audit report also disallowed staff time for refunds due to lack of documentation to support the number of refunds. All of these differences stem from estimating workload multipliers when no such information was kept in the usual course of business. Given the entirety of the work performed and the nature of the staff survey, the District will not dispute any of these minor variances. There are also some major discrepancies in enrollment statistics for some of the fiscal years. When time is available after the receipt of the final audit report, the District will investigate these discrepancies and if additional information becomes available, we will include this in any incorrect reduction claim we might file.

The District disagrees with the audit report recommendation to maintain documentation of the enrollment data provided to the Chancellor's Office. The District will also determine if a method can be developed to identify the number of students who utilize the online enrollment process and the effect of the online system on average times. Regarding future staff time surveys, the audit report suggests the need for more specific activity descriptions and second-person observation of the time for each activity. There is a concern that more specific activity descriptions may stray from the scope of the parameters and guidelines language. This presents the potential problem of claiming activities outside of the scope of the parameters and guidelines, especially when each district that utilizes a survey process will have to establish its own activity descriptions, absent a statewide survey instrument. In future surveys, the District will match the specific activities in its policies and procedures manual to the parameters and guidelines activities which might better focus the responses and make it more representative for each employee performing the reimbursable activities.

SCO's Comment

The finding and recommendation remain unchanged.

Unsupported Costs

The parameters and guidelines state that the preparation of policies and procedures and staff training are reimbursable as a one-time activity [emphasis added] for the collection of enrollment fees and for determining which students are eligible for waiver of the enrollment fees. Further, the parameters and guidelines limit staff training to one-time cost per employee [emphasis added].

For preparation of policies and procedures, we allowed \$5,771 in enrollment fee collection costs for FY 1998-99 through FY 2000-01 and \$3,836 in enrollment fee waivers costs for FY 1999-2000. The district provided no documentation supporting that the remaining costs claimed related to the one-time activity of preparing policies and procedures. Furthermore, the CSM Final Staff Analysis for the Proposed Parameters and Guidelines (item 9 of the CSM's January 26, 2006, hearing) for one-time activities of adopting policies and procedures states, ". . . staff finds the updates to the policies and procedures would be subject to change in the district's policy rather than state law, and would not be reimbursable. Therefore, staff modified this section to delete updating the policies and procedures and to specify that preparation of policies and procedures is a one-time activity." This would apply to any change in the district's enrollment and registration process resulting from changes in the district's TREG and WebAdvisor systems. If the district believes that updates of policies and procedures should be reimbursable, it should request the CSM to amend the parameters and guidelines.

For staff training, we allowed costs in the first year employees were claimed totaling \$3,709 for enrollment fee collection costs and \$5,463 in enrollment fee waivers costs. The district provided no documentation supporting the nature of the training or who conducted the training.

Time Allowances for Ongoing Activities

The district believes that minor variations occurred because the SCO used BOGG-waiver statistic from the California Community Colleges Chancellor's Office (CCCCO) while the district used information available from district records at the time the annual claims were prepared. The district noted that the audit report did not allow staff time for refunds to students who established fee waiver eligibility due to lack of documentation. The district indicated that these differences stem from information not maintained by the district in the usual course of business. The CCCCCO's BOGG-waiver statistics were based on student data that the district reported. The district stated that it would not dispute the minor variances.

However, the district stated that major discrepancies in enrollment statistics between the district's and CCCCCO's numbers occurred for some of the fiscal years and that it would investigate these variances after the issuance of the final audit report.

**FINDING 2—
Understated offsetting
savings/reimbursements**

The district understated offsetting savings/reimbursements by \$799,092 for the audit period. The understatement occurred because the district did not accurately report the amount received for enrollment fee collection and the amount waived for enrollment fee waivers.

We calculated allowable offsetting savings/reimbursements for all years of the audit period using instructions contained in the parameters and guidelines. Our calculations were based on enrollment fee collection and Board of Governors fee waivers information provided by the CCCCCO.

The following table summarizes understated offsetting savings/reimbursements:

<u>Fiscal Year</u>	<u>Enrollment Fee Collection</u>	<u>Enrollment Fee Waivers</u>	<u>Audit Adjustment</u>
1998-99	\$ (66,552)	\$ —	\$ (66,552)
1999-2000	(57,247)	(47,037)	(104,284)
2000-01	(68,983)	(13,068)	(82,051)
2001-02	153,937	(135,778)	18,159
2002-03	(93,698)	(11,702)	(105,400)
2003-04	(104,195)	(59,096)	(163,291)
2004-05	(163,633)	20,079	(143,554)
2005-06	(181,957)	29,838	(152,119)
Total	<u>\$ (582,328)</u>	<u>\$ (216,764)</u>	<u>\$ (799,092)</u>

The following table summarizes the understated enrollment fee collection and waiver portions of offsetting savings/reimbursements:

<u>Fiscal Year</u>	<u>Enrollment Fee Collection</u>			<u>Enrollment Fee Waivers</u>		
	<u>Claimed</u>	<u>Allowable</u>	<u>Audit Ad- justment</u>	<u>Claimed</u>	<u>Allowable</u>	<u>Audit Ad- justment</u>
1998-99	\$ 38,430	\$ 104,982	\$ (66,552)	\$ —	\$ —	\$ —
1999-2000	35,233	92,480	(57,247)	122,142	169,179	(47,037)
2000-01	33,229	102,212	(68,983)	128,380	141,448	(13,068)
2001-02	256,938	103,001	153,937	—	135,778	(135,778)
2002-03	18,523	112,221	(93,698)	125,791	137,493	(11,702)
2003-04	48,963	153,158	(104,195)	116,190	175,286	(59,096)
2004-05	48,713	212,346	(163,633)	228,926	208,847	20,079
2005-06	46,303	228,260	(181,957)	220,017	190,179	29,838
Total	<u>\$ 526,332</u>	<u>\$1,108,660</u>	<u>\$(582,328)</u>	<u>\$ 941,446</u>	<u>\$1,158,210</u>	<u>\$(216,764)</u>

The parameters and guidelines require claimants to report the following offsetting savings/reimbursements:

- Enrollment Fee Collection Program funds: 2% of the revenue from enrollment fees pursuant to Education Code section 76000, subdivision (c); and
- Enrollment Fee Waiver Program funds: Allocation to community colleges by the Community College Board of Governors from funds in the annual budget act pursuant to Government Code section 76300, subdivisions (g) and (h) as follows:
 - For July 1, 1999, to July 4, 2000, 2% of the fees waived and 7% of the fees waivers.
 - Beginning July 5, 2000, 2% of the fees waived and \$0.91 per credit unit waived.

Furthermore, the parameters and guidelines 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.

Recommendation

We recommend that the district report all enrollment fee collection and waivers offsetting savings/reimbursements on its mandated cost claims consistent with the parameters and guidelines.

District’s Response

The offsetting revenues identified in the parameters and guidelines (Part VII) are of three types: the enrollment fee collection 2% administrative offset for all fiscal years, the enrollment fee waiver 2% BFAP allocation beginning FY 2000-01, and the \$.91 per unit waived BFAP-SFAA allocation beginning FY 2000-01 (7% for FY 1999-00). At the exit conference, the auditor provided schedules obtained by the auditor from the Chancellor’s Office of these revenue amounts for the District for each of the three types of revenue sources. However, this type of third-party information was and may not be generally available at the time the annual reimbursement claims are prepared. The District and other claimants, at the time the annual claims are prepared, must calculate the amounts based on contemporaneous enrollment information and the number of units waived, which will be a continuing source of minor differences.

The District concurs with the auditor’s recommendation (page 14) that claimants should report the revenue sources identified in the parameters and guidelines as an offset to the program costs. However, the revenue offsets should only be offset to the relevant mandated activity costs, rather than to the total costs claimed for both the EFC and EFW program activities. It appears that the audit revenue offsets for the EFW-related revenues are greater than the audited program costs for EFW for at least two fiscal years:

<u>Fiscal Year</u>	<u>Audited* Direct Cost</u>	<u>Indirect Cost Rate-Applied</u>	<u>ICR Total</u>	<u>Revenue</u>	
				<u>Costs</u>	<u>Offsets</u>
1999-00	\$119,066	34%	\$40,482	\$159,548	(\$172,453)
2000-01	<u>\$103,002</u>	34%	<u>\$35,021</u>	<u>\$138,023</u>	<u>(\$154,232)</u>
Totals	<u>\$222,068</u>		<u>\$75,503</u>	<u>\$297,571</u>	<u>(\$326,685)</u>

Difference: excess revenue offset \$29,114

* The audited direct costs are taken from the auditor’s “Summary Schedule of Salaries and Benefits Adjustments-Allowable Costs” dated February 2, 2011, which the District believes is the latest version of the schedule.

The District requests that the EFW revenue offsets for these two fiscal years be limited to the EFW program costs as a matter of the proper matching revenues to costs.

SCO's Comment

We concur with the district's comment that enrollment fee waivers offset should be limited to allowable enrollment fee waivers cost. Consequently, we reduced offsetting savings/reimbursements for enrollment fee waivers by \$16,058 (\$3,274 for FY 1999-2000 and \$12,784 for FY 2000-01) from \$232,822 to \$216,764. The remaining finding and the recommendation remain unchanged.

The latest version of the SCO's "Summary Schedule of Salaries and Benefits Adjustments" is dated February 18, 2011.

For FY 1999-2000, allowable enrollment fee waivers costs total \$169,179. This amount consists of \$126,253 in direct costs (\$123,906 in salaries and benefits and \$2,347 in materials and supplies) and \$42,926 in indirect costs. Actual enrollment fee waivers offsets total \$172,453, which is \$3,274 in excess of allowable cost. We limited FY 1999-2000 enrollment fee waivers offset to allowable cost of \$169,179.

For FY 2000-01, allowable enrollment fee waivers costs total \$141,448. This amount consists of \$105,558 in direct costs (\$103,002 in salaries and benefits and \$2,556 in materials and supplies) and \$35,890 in indirect costs. Actual enrollment fee waivers offsets total \$154,232, which is \$12,784 in excess of allowable cost. We limited FY 2000-01 enrollment fee waivers offset to allowable costs of \$141,448.

OTHER ISSUES

The district's response included other comments related to fraud risk assessment, management representation letter, and public records request. The district's responses and SCO's comments are presented below.

Fraud Risk AssessmentDistrict's Response

The draft audit report (page 2) states that the auditor was "unable to assess fraud risk because the district, based on its consultant's advice, did not respond to our inquiries regarding fraud assessment." The District determined that providing written responses to the Controller's boilerplate fraud assessment questionnaire is outside the scope of a mandate compliance audit and could be construed as a waiver of future appeal rights. The District did respond verbally to these questions.

SCO's Comment

The district's mandate consultant advised us at the entrance conference that the district would not respond to the fraud section of the internal control questionnaire. Consequently, we did not ask the district verbal fraud risk assessment questions. We attempted to assess fraud risk to comply with generally accepted government auditing standards. Responding to the SCO's fraud assessment questionnaire does not waive the district's future appeal rights.

Management Representation LetterDistrict's Response

The District will not be providing the requested management representation letter since it could be construed as a waiver of future appeal rights.

SCO's Comment

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. Responding to the SCO's management representation letter does not waive the district's future appeal rights.

Public Records RequestDistrict's Response

In accordance with the Government Code Section 6253, subdivision (c), the District requests that the Controller provide the District any and all written instructions, memoranda, or other writings in effect and applicable during the claiming periods to the findings.

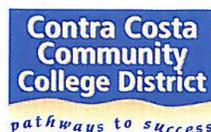
SCO's Comment

The SCO will respond to the public records request in a separate letter dated March 25, 2011.

**Attachment—
District's Response to Draft Audit Report**

Governing Board

John T. Nejedly, *President*
Jess H. Reyes, *Vice President*
Tomi Van de Brooke, *Secretary*
Sheila A. Grilli
John E. Márquez



Chancellor
Helen Benjamin, Ph.D.

College Presidents
Contra Costa College McKinley Williams
Diablo Valley College Peter García (Interim)
Los Medanos College Richard Livingston (Interim)

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 9, 2011

Mr. Jim L. Spano, Chief
Mandated Costs Audits Bureau
Division of Audits
California State Controller
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Enrollment Fee Collection and Waivers
FY 1998-99 through 2005-06
Contra Costa Community College District

Dear Mr. Spano:

This letter is the response of the Contra Costa Community College District to the draft audit report dated February 25, 2011, received by e-mail on that date, for the above referenced program and fiscal years transmitted by the letter from Jeffrey V. Brownfield, Chief, Division of Audits, State Controller's Office.

Finding 1 - Overstated salaries and benefits

The draft audit report states that the District claimed unallowable salaries and benefits in the amount of \$744,323. This amount consists of \$89,348 of "unsupported costs" and \$654,975 for "errors applying time allowances."

1. Unsupported Costs

A total of \$89,348 was disallowed for staff time claimed for polices and procedures and staff training due to lack of supporting documentation and for duplicate time claimed for "one-time" training activities.

A. Supporting Documentation

The draft audit report states that the disallowed policies and procedures and some of the staff training time was not supported by contemporaneous documentation of time spent or corroborating evidence of activities performed. None of the time was disallowed as unreasonable. The audit report characterizes the disallowed time as "estimates." It should be noted that the parameters and guidelines were adopted January 26, 2006, and the first claiming instructions for the initial fiscal years were released thereafter. The District had no actual notice of approved reimbursement for this program until that time. It seems unreasonable to require contemporaneous documentation of daily staff time for

Contra Costa Community College District
500 Court Street, Martinez, California 94553
925.229.1000 www.4cd.edu

the retroactive initial fiscal years. While some historic staff time can be reconstructed from calendars and desk diaries, other staff time cannot and must be reported as a good-faith estimate. While the District agrees with the audit report recommendation that the District maintain records that document actual time spent on mandate-related activities, it would be a more realistic standard for fiscal years after the initial fiscal year claims.

B. One-time Activities

The draft audit report disallows claimed training time for employees who were claimed more than once during the eight fiscal years in the audit period. None of the time was disallowed as unreasonable. The parameters and guidelines identify the policy and procedures preparation and staff training activities as "one-time per employee." However, it should be considered that the content of the training would change over the span of years, thus the content would be a new one-time activity for repeat staff members. The language of Education Code section 76300 changes frequently and the subject matter of the relevant Title 5, CCR, sections may be updated by the Board of Governors. There are also local changes in duties and procedures as a result of the change in the enrollment and registration process, for example, the evolving TREG and WebAdvisor systems noted in the audit report. It should also be anticipated that the name of the supervisors or managers conducting the training would appear in the claims for several years. There should not be a blanket disallowance of staff time for persons whose name appears more than once without a determination of whether the subject matter of the training was duplicate of previously claimed training activities.

2. Time Allowances for Ongoing Activities

The draft audit report identifies overstated costs of \$740,899 for ongoing enrollment fee collection activities and understated costs of \$85,924 for enrollment fee waiver activities, for a total adjustment amount of \$654,975.

The District's computation of ongoing costs is based on an average time reported from the March 2006 survey of relevant program staff of the amount of time (usually in minutes) required to complete the twelve activity components. These average times were multiplied by workload multipliers that closely approximate the number of students who paid enrollment fees and the number of students for whom enrollment fees were waived. The total hours per activity component was multiplied by either the specific productive hourly rate of the person performing the activity, or an average hourly rate when there were several persons in similar job classifications performing the activity.

The auditor utilized enrollment BOGG-waiver statistics from the Chancellor's Office to approximate the number of students who paid enrollment fees and the number of students for whom enrollment fees were waived, while the District utilized information available from district records at the time the annual claims were prepared so some variances can be expected. Variances would result from the students who enrolled and paid enrollment fees, but thereafter left the district so they may not appear later in the Chancellor's statistics as an enrolled student. Another source of a variance would be the time spent on waiver applications. There are more applications for waivers than waivers granted, which is not reflected by the Chancellor's statistics. The audit report also disallowed staff time for refunds due to lack of documentation to

support the number of refunds. All of these differences stem from estimating workload multipliers when no such information was kept in the usual course of business. Given the entirety of the work performed and the nature of the staff survey, the District will not dispute any of these minor variances. There are also some major discrepancies in enrollment statistics for some of the fiscal years. When time is available after the receipt of the final audit report, the District will investigate these discrepancies and if additional information becomes available, we will include this in any incorrect reduction claim we might file.

The District agrees with the audit report recommendation to maintain documentation of the enrollment data provided to the Chancellor's Office. The District will also determine if a method can be developed to identify the number of students who utilize the online enrollment process and the effect of the online system on average times. Regarding future staff time surveys, the audit report suggests the need for more specific activity descriptions and second-person observation of the time for each activity. There is a concern that more specific activity descriptions may stray from the scope of the parameters and guidelines language. This presents the potential problem of claiming activities outside of the scope of the parameters and guidelines, especially when each district that utilizes a survey process will have to establish its own activity descriptions, absent a statewide survey instrument. In future surveys, the District will match the specific activities in its policies and procedures manual to the parameters and guidelines activities which might better focus the responses and make it more representative for each employee performing the reimbursable activities.

Finding 2 - Understated offsetting savings/reimbursement

The draft audit report states that the District understated offsetting savings and reimbursements by \$815,150. The major source of the difference in the claimed and audited revenue amounts is that the 2% BFAP allocation was not claimed for FY 2001-02 and incorrectly calculated for FY 2002-03.

The offsetting revenues identified in the parameters and guidelines (Part VII) are of three types: the enrollment fee collection 2% administrative offset for all fiscal years, the enrollment fee waiver 2% BFAP allocation beginning FY 2000-01, and the \$.91 per unit waived BFAP-SFAA allocation beginning FY 2000-01 (7% for FY 1999-00). At the exit conference, the auditor provided schedules obtained by the auditor from the Chancellor's Office of these revenue amounts for the District for each of the three types of revenue sources. However, this type of third-party information was and may not be generally available at the time the annual reimbursement claims are prepared. The District and other claimants, at the time the annual claims are prepared, must calculate the amounts based on contemporaneous enrollment information and the number of units waived, which will be a continuing source of minor differences.

The District concurs with the auditor's recommendation (page 14) that claimants should report the revenue sources identified in the parameters and guidelines as an offset to the program costs. However, the revenue offsets should only be offset to the *relevant* mandated activity costs, rather than to the total costs claimed for both the EFC and EFW program activities. It appears that the audit revenue offsets for the EFW-related revenues are greater than the audited program costs for EFW for at least two fiscal years:

<u>Audited Fiscal Year</u>	<u>Audited * Direct Cost</u>	<u>Indirect Cost Rate -Applied</u>	<u>ICR Total</u>	<u>Revenue Costs</u>	<u>Revenue Offset</u>
1999-00	\$119,066	34%	\$40,482	\$159,548	(\$172,453)
2000-01	<u>\$103,002</u>	34%	<u>\$35,021</u>	<u>\$138,023</u>	<u>(\$154,232)</u>
Totals	<u>\$222,068</u>		<u>\$75,503</u>	<u>\$297,571</u>	<u>(\$326,685)</u>
Difference: excess revenue offset				\$29,114	

*The audited direct costs are taken from the auditor's "Summary Schedule of Salaries and Benefits Adjustments-Allowable Costs" dated February 2, 2011, which the District believes is the latest version of the schedule.

The District requests that the EFW revenue offsets for these two fiscal years be limited to the EFW program costs as a matter of the proper matching revenues to costs.

Fraud Risk Assessment

The draft audit report (page 2) states that the auditor was "unable to assess fraud risk because the district, based on its consultant's advice, did not respond to our inquiries regarding fraud assessment." The District determined that providing written responses to the Controller's boilerplate fraud assessment questionnaire is outside the scope of a mandate compliance audit and could be construed as a waiver of future appeal rights. The District did respond verbally to these questions.

Management Representation Letter

The District will not be providing the requested management representation letter since it could be construed as a waiver of future appeal rights.

Public Records Request

In accordance with Government Code Section 6253, subdivision (c), the District requests that the Controller provide the District any and all written instructions, memoranda, or other writings in effect and applicable during the claiming periods to the findings.

Sincerely,



Kindred Murillo, Ed.D.
Vice Chancellor, Districtwide Administrative Services

cc: Judy Breza, Director of Fiscal Services
Keith Petersen, SixTen and Associates

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

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