

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

Audit Report

ENROLLMENT FEE COLLECTIONS 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

May 2013



JOHN CHIANG
California State Controller

May 3, 2013

Patrick Mullen, President
Board of Trustees
San Luis Obispo County Community College District
P.O. Box 8106
San Luis Obispo, CA 93403-8106

Dear Mr. Mullen:

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

The district claimed \$3,944,923 (\$3,954,923 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$820,647 is allowable and \$3,124,276 is unallowable. The costs are unallowable because the district claimed estimated costs that were not supported by source documentation, claimed ineligible time, misstated indirect cost rates, and misstated eligible offsetting revenues.

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.

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, CPA
Chief, Division of Audits

JVB/kw

cc: Gilbert Stork, Superintendent/President
President Office
San Luis Obispo County Community College District
Toni Sommer, Vice President
Administrative Services
San Luis Obispo County Community College District
Chris Green, Director of Fiscal Services
San Luis Obispo County Community College District
Nohemy Ornelas, Dean of Student Services
San Luis Obispo County Community College District
Christine Atalig, Specialist
College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Ed Hanson, Principal Program Budget Analyst
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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	14
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

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

The district claimed \$3,944,923 (\$3,954,923 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$820,647 is allowable and \$3,124,276 is unallowable. The costs are unallowable because the district claimed estimated costs that were not supported by source documentation, claimed ineligible time, misstated indirect cost rates, and misstated eligible offsetting revenues.

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 Governors Grant (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 special part-time students, as 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 California 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 Collections 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 found 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 San Luis Obispo County Community College District claimed \$3,944,923 (\$3,954,923 less a \$10,000 penalty for filing a late claim) for costs of the Enrollment Fee Collections and Waivers Program. Our audit found that \$820,647 is allowable and \$3,124,276 is unallowable.

For the FY 1998-99, the State paid the district \$45,634. Our audit disclosed that \$66,385 is allowable. The State will pay allowable costs that exceed the amount paid, totaling \$20,751, contingent upon available appropriations.

For the FY 1999-2000 through FY 2007-08, the State made no payment to the district. Our audit disclosed that \$730,188 is allowable. The State will pay allowable costs claimed, contingent upon available appropriations.

For the FY 2008-09, the State paid the district \$20,419. Our audit disclosed that \$24,074 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$3,655, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district \$18,345. Our audit found that \$16,743 is allowable. The State will offset \$1,602 from other mandated program payments due to district. Alternatively, the district may remit this amount to the State.

Views of Responsible Official

We issued a draft audit report on March 29, 2013. Toni Sommer, Vice President, Administrative Services, responded by letter dated April 17, 2013 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the San Luis Obispo County 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, CPA
Chief, Division of Audits

May 3, 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 ¹
<u>July 1, 1998, through June 30, 1999</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ -	\$ 435	\$ 435	Finding 1
Staff training	17,017	3,753	(13,264)	Finding 2
Calculating and collecting enrollment fees	372,442	87,277	(285,165)	Finding 3
Total direct costs	389,459	91,465	(297,994)	
Indirect costs	27,262	6,403	(20,859)	Finding 8
Total direct and indirect costs	416,721	97,868	(318,853)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(13,454)	(31,483)	(18,029)	Finding 9
Total program costs	<u>\$ 403,267</u>	66,385	<u>\$ (336,882)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 66,385</u>		
<u>July 1, 1999, through June 30, 2000</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ -	\$ 435	\$ 435	Finding 1
Staff training	-	1,315	1,315	Finding 2
Calculating and collecting enrollment fees	403,526	92,919	(310,607)	Finding 3
Total direct costs	403,526	94,669	(308,857)	
Indirect costs	28,246	6,627	(21,619)	Finding 8
Total direct and indirect costs	431,772	101,296	(330,476)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(23,102)	(29,381)	(6,279)	Finding 9
Total enrollment fee collection	<u>408,670</u>	<u>71,915</u>	<u>(336,755)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 493	\$ 493	\$ -	
Staff training	552	653	101	Finding 4
Adopt procedures, record and maintain records	53,371	1,188	(52,183)	Finding 5
Waiving student fees	40,004	14,519	(25,485)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	5,962	5,071	(891)	Finding 7
Total direct costs	100,382	21,924	(78,458)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1999, through June 30, 2000 (Continued)</u>				
Indirect costs	7,027	1,535	(5,492)	Finding 8
Total direct and indirect costs	107,409	23,459	(83,950)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(55,652)	(63,252)	(7,600)	Finding 9
Adjustment for unused portion of offsets ²	-	39,793	39,793	Finding 9
Total enrollment fee waivers	51,757	-	(51,757)	
Total program costs	\$ 460,427	71,915	\$ (388,512)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 71,915		
<u>July 1, 2000, through June 30, 2001</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Staff training	\$ -	\$ 1,315	\$ 1,315	Finding 2
Calculating and collecting enrollment fees	329,574	95,389	(234,185)	Finding 3
Total direct costs	329,574	96,704	(232,870)	
Indirect costs	23,070	6,769	(16,301)	Finding 8
Total direct and indirect costs	352,644	103,473	(249,171)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(15,333)	(30,855)	(15,522)	Finding 9
Total enrollment fee collection	337,311	72,618	(264,693)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 516	\$ 516	\$ -	
Staff training	253	342	89	Finding 4
Adopt procedures, record and maintain records	61,505	1,188	(60,317)	Finding 5
Waiving student fees	96,747	14,635	(82,112)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	6,260	5,071	(1,189)	Finding 7
Total direct costs	165,281	21,752	(143,529)	
Indirect costs	11,570	1,523	(10,047)	Finding 8
Total direct and indirect costs	176,851	23,275	(153,576)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(63,421)	(60,921)	2,500	Finding 9
Adjustment for unused portion of offsets ²	-	37,646	37,646	Finding 9
Total enrollment fee waivers	113,430	-	(113,430)	
Total program costs	\$ 450,741	72,618	\$ (378,123)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 72,618		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Staff training	\$ -	\$ 1,315	\$ 1,315	Finding 2
Calculating and collecting enrollment fees	286,840	105,327	(181,513)	Finding 3
Total direct costs	286,840	106,642	(180,198)	
Indirect costs	20,079	7,465	(12,614)	Finding 8
Total direct and indirect costs	306,919	114,107	(192,812)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(14,243)	(31,274)	(17,031)	Finding 9
Total enrollment fee collection	292,676	82,833	(209,843)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 527	\$ 527	\$ -	
Adopt procedures, record and maintain records	61,148	1,298	(59,850)	Finding 5
Waiving student fees	85,362	16,228	(69,134)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	6,433	5,673	(760)	Finding 7
Total direct costs	153,470	23,726	(129,744)	
Indirect costs	10,743	1,661	(9,082)	Finding 8
Total direct and indirect costs	164,213	25,387	(138,826)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(58,914)	(59,741)	(827)	Finding 9
Adjustment for unused portion of offsets ²	-	34,354	34,354	Finding 9
Total enrollment fee waivers	105,299	-	(105,299)	
Total program costs	<u>\$ 397,975</u>	82,833	<u>\$ (315,142)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 82,833</u>		
<u>July 1, 2002, through June 30, 2003</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Staff training	\$ -	\$ 1,319	\$ 1,319	Finding 2
Calculating and collecting enrollment fees	273,774	101,996	(171,778)	Finding 3
Total direct costs	273,774	103,315	(170,459)	
Indirect costs	19,164	7,232	(11,932)	Finding 8
Total direct and indirect costs	292,938	110,547	(182,391)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(15,438)	(32,072)	(16,634)	Finding 9
Total enrollment fee collection	277,500	78,475	(199,025)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003 (Continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 549	\$ 549	\$ -	
Adopt procedures, record and maintain records	63,148	1,344	(61,804)	Finding 5
Waiving student fees	86,083	23,994	(62,089)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	6,566	5,730	(836)	Finding 7
Total direct costs	156,346	31,617	(124,729)	
Indirect costs	10,944	2,213	(8,731)	Finding 8
Total direct and indirect costs	167,290	33,830	(133,460)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(63,858)	(70,637)	(6,779)	Finding 9
Adjustment for unused portion of offsets ²	-	36,807	36,807	Finding 9
Total enrollment fee waivers	103,432	-	(103,432)	
Total program costs	<u>\$ 380,932</u>	<u>78,475</u>	<u>\$ (302,457)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 78,475</u>		
<u>July 1, 2003, through June 30, 2004</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ -	\$ 463	\$ 463	Finding 1
Staff training	-	1,324	1,324	Finding 2
Calculating and collecting enrollment fees	212,393	103,154	(109,239)	Finding 3
Total direct costs	212,393	104,941	(107,452)	
Indirect costs	14,868	7,346	(7,522)	Finding 8
Total direct and indirect costs	227,261	112,287	(114,974)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(24,480)	(50,011)	(25,531)	Finding 9
Total enrollment fee collection	202,781	62,276	(140,505)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 554	\$ 554	\$ -	
Staff training	133	273	140	Finding 4
Adopt procedures, record and maintain records	63,800	4,045	(59,755)	Finding 5
Waiving student fees	66,853	24,715	(42,138)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	7,221	5,788	(1,433)	Finding 7
Total direct costs	138,561	35,375	(103,186)	
Indirect costs	9,699	2,476	(7,223)	Finding 8
Total direct and indirect costs	148,260	37,851	(110,409)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(61,881)	(80,771)	(18,890)	Finding 9
Adjustment for unused portion of offsets ²	-	42,920	42,920	Finding 9
Total enrollment fee waivers	86,379	-	(86,379)	
Total program costs	<u>\$ 289,160</u>	<u>62,276</u>	<u>\$ (226,884)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 62,276</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>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ -	\$ 476	\$ 476	Finding 1
Staff training	-	1,350	1,350	Finding 2
Calculating and collecting enrollment fees	212,273	105,609	(106,664)	Finding 3
Total direct costs	212,273	107,435	(104,838)	
Indirect costs	65,677	39,063	(26,614)	Finding 8
Total direct and indirect costs	277,950	146,498	(131,452)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(38,237)	(70,169)	(31,932)	Finding 9
Total enrollment fee collection	239,713	76,329	(163,384)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 568	\$ 568	\$ -	
Staff training	681	820	139	Finding 4
Adopt procedures, record and maintain records	112,862	1,434	(111,428)	Finding 5
Waiving student fees	98,345	27,423	(70,922)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	7,407	5,965	(1,442)	Finding 7
Total direct costs	219,863	36,210	(183,653)	
Indirect costs	68,026	13,166	(54,860)	Finding 8
Total direct and indirect costs	287,889	49,376	(238,513)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(66,914)	(107,178)	(40,264)	Finding 9
Adjustment for unused portion of offsets ²	-	57,802	57,802	Finding 9
Total enrollment fee waivers	220,975	-	(220,975)	
Total program costs	\$ 460,688	76,329	\$ (384,359)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 76,329		
<u>July 1, 2005, through June 30, 2006</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Staff training	\$ -	\$ 1,362	\$ 1,362	Finding 2
Calculating and collecting enrollment fees	146,098	104,636	(41,462)	Finding 3
Total direct costs	146,098	105,998	(40,100)	
Indirect costs	45,758	39,368	(6,390)	Finding 8
Total direct and indirect costs	191,856	145,366	(46,490)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(38,953)	(76,529)	(37,576)	Finding 9
Total enrollment fee collection	152,903	68,837	(84,066)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006 (Continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 585	\$ 585	\$ -	
Staff training	439	578	139	Finding 4
Adopt procedures, record and maintain records	122,025	4,215	(117,810)	Finding 5
Waiving student fees	120,206	27,152	(93,054)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	7,630	5,965	(1,665)	Finding 7
Total direct costs	250,885	38,495	(212,390)	
Indirect costs	78,577	14,297	(64,280)	Finding 8
Total direct and indirect costs	329,462	52,792	(276,670)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(68,169)	(98,383)	(30,214)	Finding 9
Adjustment for unused portion of offsets ²	-	45,591	45,591	Finding 9
Total enrollment fee waivers	261,293	-	(261,293)	
Total costs	414,196	68,837	(345,359)	
Less late filing penalty	(10,000)	(6,884)	3,116	
Total program costs	\$ 404,196	61,953	\$ (345,359)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 61,953		
<u>July 1, 2006, through June 30, 2007</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ -	\$ 496	\$ 496	Finding 1
Staff training	-	1,389	1,389	Finding 2
Calculating and collecting enrollment fees	148,247	107,126	(41,121)	Finding 3
Total direct costs	148,247	109,011	(39,236)	
Indirect costs	52,954	44,934	(8,020)	Finding 8
Total direct and indirect costs	201,201	153,945	(47,256)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(66,305)	(67,438)	(1,133)	Finding 9
Total enrollment fee collection	134,896	86,507	(48,389)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007 (Continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 588	\$ 588	\$ -	
Staff training	441	-	(441)	Finding 4
Adopt procedures, record and maintain records	71,783	1,434	(70,349)	Finding 5
Waiving student fees	80,525	27,505	(53,020)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	7,667	5,965	(1,702)	Finding 7
Total direct costs	161,004	35,492	(125,512)	
Indirect costs	57,511	14,630	(42,881)	Finding 8
Total direct and indirect costs	218,515	50,122	(168,393)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(63,363)	(104,471)	(41,108)	Finding 9
Adjustment for unused portion of offsets ²	-	54,349	54,349	Finding 9
Total enrollment fee waivers	155,152	-	(155,152)	
Total program costs	\$ 290,048	86,507	\$ (203,541)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 86,507		
<u>July 1, 2007, through June 30, 2008</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Staff training	\$ -	\$ 1,499	\$ 1,499	Finding 2
Calculating and collecting enrollment fees	92,254	123,773	31,519	Finding 3
Total direct costs	92,254	125,272	33,018	
Indirect costs	32,990	57,074	24,084	Finding 8
Total direct and indirect costs	125,244	182,346	57,102	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(31,468)	(61,807)	(30,339)	Finding 9
Total enrollment fee collection	93,776	120,539	26,763	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 596	\$ 596	\$ -	
Staff training	447	-	(447)	Finding 4
Adopt procedures, record and maintain records	53,935	1,570	(52,365)	Finding 5
Waiving student fees	61,270	29,757	(31,513)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	5,111	6,534	1,423	Finding 7
Total direct costs	121,359	38,457	(82,902)	
Indirect costs	43,398	17,521	(25,877)	Finding 8
Total direct and indirect costs	164,757	55,978	(108,779)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(69,882)	(97,592)	(27,710)	Finding 9
Adjustment for unused portion of offsets ²	-	41,614	41,614	Finding 9
Total enrollment fee waivers	94,875	-	(94,875)	
Total program costs	\$ 188,651	120,539	\$ (68,112)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 120,539		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Staff training	\$ 4,827	\$ 1,499	\$ (3,328)	Finding 2
Calculating and collecting enrollment fees	72,359	58,086	(14,273)	Finding 3
Total direct costs	77,186	59,585	(17,601)	
Indirect costs	31,283	25,896	(5,387)	Finding 8
Total direct and indirect costs	108,469	85,481	(22,988)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(32,018)	(61,407)	(29,389)	Finding 9
Total enrollment fee collection	76,451	24,074	(52,377)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Staff training	\$ 426	\$ -	\$ (426)	Finding 4
Adopt procedures, record and maintain records	39,685	1,570	(38,115)	Finding 5
Waiving student fees	46,681	31,637	(15,044)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	3,704	6,534	2,830	Finding 7
Total direct costs	90,496	39,741	(50,755)	
Indirect costs	36,678	17,271	(19,407)	Finding 8
Total direct and indirect costs	127,174	57,012	(70,162)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(70,989)	(97,973)	(26,984)	Finding 9
Adjustment for unused portion of offsets ²	-	40,961	40,961	Finding 9
Total enrollment fee waivers	56,185	-	(56,185)	
Total program costs	\$ 132,636	24,074	\$ (108,562)	
Less amount paid by the State		(14,403)		
Allowable costs claimed in excess of (less than) amount paid		\$ 9,671		
<u>July 1, 2009, through June 30, 2010</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ -	\$ 334	\$ 334	Finding 1
Staff training	3,876	1,499	(2,377)	Finding 2
Calculating and collecting enrollment fees	72,359	58,349	(14,010)	Finding 3
Total direct costs	76,235	60,182	(16,053)	
Indirect costs	29,770	29,369	(401)	Finding 8
Total direct and indirect costs	106,005	89,551	(16,454)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(63,171)	(72,808)	(9,637)	Finding 9
Total enrollment fee collection	42,834	16,743	(26,091)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010 (Continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Adopt procedures, record and maintain records	\$ 39,685	\$ 4,554	\$ (35,131)	Finding 5
Waiving student fees	45,319	34,514	(10,805)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	3,704	6,534	2,830	Finding 7
Total direct costs	88,708	45,602	(43,106)	
Indirect costs	34,640	22,254	(12,386)	Finding 8
Total direct and indirect costs	123,348	67,856	(55,492)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(79,980)	(105,071)	(25,091)	Finding 9
Adjustment for unused portion of offsets ²	-	37,215	37,215	Finding 9
Total enrollment fee waivers	43,368	-	(43,368)	
Total program costs	\$ 86,202	16,743	\$ (69,459)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 16,743		
<u>Summary: July 1, 1998, through June 30, 2010</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ -	\$ 2,639	\$ 2,639	
Staff training	25,720	18,939	(6,781)	
Calculating and collecting enrollment fees	2,622,139	1,143,641	(1,478,498)	
Total direct costs	2,647,859	1,165,219	(1,482,640)	
Indirect costs	391,121	277,546	(113,575)	
Total direct and indirect costs	3,038,980	1,442,765	(1,596,215)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(376,202)	(615,234)	(239,032)	
Total enrollment collection	2,662,778	827,531	(1,835,247)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 1998, through June 30, 2010 (Continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 4,976	\$ 4,976	\$ -	
Staff training	3,372	2,666	(706)	
Adopt procedures, record and maintain records	742,947	23,840	(719,107)	
Waiving student fees	827,395	272,079	(555,316)	
Reporting BOGG fee waiver data to CCCCCO	67,665	64,830	(2,835)	
Total direct costs	1,646,355	368,391	(1,277,964)	
Indirect costs	368,813	108,547	(260,266)	
Total direct and indirect costs	2,015,168	476,938	(1,538,230)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(723,023)	(945,990)	(222,967)	
Adjustment for unused portion of offsets ²	-	469,052	469,052	
Total enrollment fee waivers	1,292,145	-	(1,292,145)	
Total costs	3,954,923	827,531	(3,127,392)	
Less late filing penalty	(10,000)	(6,884)	3,116	
Total program costs	\$ 3,944,923	820,647	\$ (3,124,276)	
Less amount paid by the State		(14,403)		
Allowable costs claimed in excess of (less than) amount paid		\$ 806,244		

¹ See the Findings and Recommendations section.

² Offsetting savings and reimbursements are limited to total allowable direct and indirect costs and are calculated separately for enrollment fee collection and enrollment fee waivers.

Findings and Recommendations

**FINDING 1—
Enrollment Fee
Collection: Preparing
Policies and
Procedures Cost
Component –
understated one-time
costs**

The district did not claim any costs during the audit period for the one-time activity of preparing district policies and procedures for the collection of enrollment fees. We determined that salaries and benefits costs totaling \$2,639 are allowable.

We worked with district staff in the Cashier's Office to determine the tasks involved during the audit period to set up and test enrollment fee costs in the district's computer systems, to update links within the district's webpage, and the time required to complete these tasks. We also obtained information from the California Community Colleges Chancellor's Office (CCCCO) confirming that enrollment fees increased in fiscal year (FY) 1998-99, FY 1999-2000, FY 2003-04, FY 2004-05, FY 2006-07, and FY 2009-10. Using the information provided by the district, we determined allowable costs for these years.

The following table summarizes the claimed, allowable, and audit adjustment amounts per fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and Benefits:			
1998-99	\$ -	\$ 435	\$ 435
1999-2000	-	435	435
2003-04	-	463	463
2004-05	-	476	476
2006-07	-	496	496
2009-10	-	334	334
Total, salaries and benefits	<u>\$ -</u>	<u>\$ 2,639</u>	<u>\$ 2,639</u>

The program's parameters and guidelines (section IV–Reimbursable Activities) state:

To be eligible for mandated cost reimbursement, 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 document 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, time logs, sign-in sheets, invoices, and receipts.

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

The parameters and guidelines (section IV.A.1.a – Reimbursable Activities, Enrollment Fee Collection – One-Time Activities – Policies and Procedures) state that the preparation of policies and procedures is reimbursable as a one-time activity for collection of enrollment fees. The CSM Final Staff Analysis for the Proposed Parameters and Guidelines dated January 13, 2006, for the one-time activity 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.”

Recommendation

We recommend 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 concurs with the finding and recommendation.

**FINDING 2—
Enrollment Fee
Collection: Staff
Training Cost
Component –
unallowable one-time
costs**

The district claimed \$25,720 in salaries and benefits during the audit period for the activity of training district staff who implement the program on the procedures for the collection of enrollment fees (one time per employee). We determined that \$18,939 is allowable and \$6,781 is unallowable. The unallowable costs occurred because the district claimed estimated costs.

District staff in the Cashier’s Office provided us a walk-through related to training that employees received during the audit period to perform the reimbursable activities, the number of employees that received training, the Student Account Specialist that provided the training, and the number of hours provided for each employee.

The following table summarizes the claimed, allowable, and audit adjustment amounts per fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1998-99	\$ 17,017	\$ 3,753	\$ (13,264)
1999-2000	-	1,315	1,315
2000-01	-	1,315	1,315
2001-02	-	1,315	1,315
2002-03	-	1,319	1,319
2003-04	-	1,324	1,324
2004-05	-	1,350	1,350
2005-06	-	1,362	1,362
2006-07	-	1,389	1,389
2007-08	-	1,499	1,499
2008-09	4,827	1,499	(3,328)
2009-10	3,876	1,499	(2,377)
Total, salaries and benefits	<u>\$ 25,720</u>	<u>\$ 18,939</u>	<u>\$ (6,781)</u>

The district claimed costs for district staff for the one-time reimbursable activity of training district staff (one-time per employee) on enrollment fee collection procedures as follows:

FY 1998-99

- 24 hours for the Student Account Specialist classification
- 216 hours for the Account Clerk II classification
- 24 hours for the Admissions and Records Specialist classification
- 24 hours for the Admissions and Records Technician classification
- 24 hours for the North County Coordinator classification
- 1,152 hours for Regular Aides classification

FY 2008-09 and FY 2009-10

- 114 hours for the Accounting Technician II classification
- 59 hours for the Business Office Assistant classification
- 82 hours for the Business Office Supervisor classification

Based on interviews and observations that we conducted at the Cashier's Office and the training manual the district provided, we determined the following classification titles of district staff and allowable hours for the one-time reimbursable activity of training district staff (one-time per employee) on enrollment fee collection procedures:

FY 1998-99

- 20 hours for the Account Clerk II classification
- 40 hours for the Account Technician classification
- 20 hours for the Admissions and Records Specialist classification
- 20 hours for the Admissions and Records Technician classification
- 100 hours for the Hourly Clerks I classification
- 20 hours for the Student Account Specialist classification
- 20 hours for the Student Services Site Specialist classification

FY 1999-2000 through FY 2009-10

- 100 hours for the Hourly Clerk I classification
- 20 hours for the Student Account Specialist classification

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 the actual cost was incurred for the event or activity in question. (See Finding 1 for the specific language).

The parameters and guidelines (section IV.A.1.b – Reimbursable Activities – Enrollment Fee Collection – One-Time Activities – Staff Training (one time per employee) state that staff training is reimbursable as a one-time cost per employee for training district staff who implement the program based on the procedures for the collection of enrollment fees. Consistent with the Final Staff Analysis for policies and procedures, training existing staff for changes in the community college district's policies and procedures is not reimbursable.

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.”

Recommendation

We recommend 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 concurs with the finding and recommendation.

**FINDING 3—
Enrollment Fee
Collection:
Calculating and
Collecting Enrollment
Fees Cost Component
– unallowable ongoing
costs**

The district claimed \$2,622,139 in salaries and benefits for the Calculating and Collecting Enrollment Fees cost component during the audit period. We determined that \$1,143,641 is allowable and \$1,478,498 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities and claimed employee classifications that did not perform the reimbursable activities. In addition, the district did not take into account the varying levels of workload due to changes in student enrollment from year-to-year.

The following table summarizes the overstated ongoing costs related to calculating and collecting enrollment fees by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and Benefits:			
1998-99	\$ 372,442	\$ 87,277	\$ (285,165)
1999-2000	403,526	92,919	(310,607)
2000-01	329,574	95,389	(234,185)
2001-02	286,840	105,327	(181,513)
2002-03	273,774	101,996	(171,778)
2003-04	212,393	103,154	(109,239)
2004-05	212,273	105,609	(106,664)
2005-06	146,098	104,636	(41,462)
2006-07	148,247	107,126	(41,121)
2007-08	92,254	123,773	31,519
2008-09	72,359	58,086	(14,273)
2009-10	72,359	58,349	(14,010)
Total	<u>\$ 2,622,139</u>	<u>\$ 1,143,641</u>	<u>\$ (1,478,498)</u>

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, as 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) require claimed costs to be supported by source documents that were created at or near the same time the actual cost was incurred for the event or activity in question. (See Finding 1 for the specific language.)

Salaries and Benefits

For FY 1998-99 through FY 2009-10, the district claimed salaries and benefits for five reimbursable activities under the Calculating and Collecting Enrollment Fees cost component. During the audit period, the district did not claim costs for collecting delinquent enrollment fees (Activity 5).

The district did not compute claimed costs based on average time allowances to perform the reimbursable activities. Instead, district employees estimated the percentage of each work day that was spent by various employee classifications to perform each of the five reimbursable activities and reported that information on forms developed by the district's mandated cost consultant. The district did not provide any source documentation based on actual data to support the estimated time allowances. In addition, the district did not factor in the varying levels of effort spent by staff as a result of changes in student enrollment from year to year and included costs for employee classifications that did not perform the reimbursable activities.

The mandated activities were being performed at the district during the audit period. Therefore, we assessed whether or not the time estimates cited by district staff were reasonable. We interviewed various district representatives in order to determine the procedures district staff followed in order to perform the reimbursable activities. We observed district staff in the Cashier's Office, which collects enrollment fees from students. We documented the average time increments spent by district staff to perform these activities based on our observations. Based on the interviews and observations that we held with the Cashier's Office staff, we also determined the employee classifications that performed the reimbursable activities during the audit period.

As noted previously, the district did not factor into its calculations the varying levels of effort required due to changes in student enrollment. We calculated costs for each of the reimbursable activities using the time increments that we observed and the number of enrolled students (multiplier). We determined that the district overstated salaries and benefits by \$1,478,498 for the audit period.

Activity 1 through Activity 4: Activity 1–Referencing student accounts, Activity 2–Calculating and collecting the fee; Activity 3–Answering students' questions; and Activity 4–Updating student records

Time Increments

Using forms developed by the district's mandated cost consultant, the district estimated the hours district staff spent performing reimbursable activities. Specifically, staff estimated the percentage of time spent per day by various employee classifications working on activities 1 through 4. The district did not make any allowance for varying levels of effort from year to year based on changes to student enrollment. The district also overstated and understated the number and types of employee classifications that performed the reimbursable activities.

We held discussions with various district representatives during the audit period in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Cashier's Office performing reimbursable and other non-mandated activities. During FY 1998-99 through FY 2007-08, the district used a software system called Reflections to perform the reimbursable activities and then changed to its current system Banner, for FY 2008-09 and FY 2009-10. As both systems are still accessible, we were able to document the average time increments spent by district staff to perform the reimbursable activities based on our observations for both systems. We determined that the total allowable time to complete activities 1 through 4 was 15.50 minutes for FY 1998-99 through FY 2007-08 and 6 minutes for FY 2008-09 and FY 2009-10. District representatives confirmed that these time increments were representative of the time it took to perform reimbursable Activity 1 through Activity 4.

Multiplier Calculation

For Activities 1 through 4, we obtained the enrollment numbers from the CCCCCO and deducted ineligible non-resident and special admit students (students who attend a community college while in high school pursuant to Education Code section 76001) to determine net student enrollment for each fiscal year of the audit period. The CCCCCO's management information system (MIS) identifies enrollment information based on student data reported by the district. The CCCCCO identifies the district's enrollment based on CCCCCO's MIS data element STD 7, codes A through G. The CCCCCO eliminates any duplicate data by term based on the student's Social Security number.

For Activity 1, we added the number of delinquent fees and refunds processed by district staff to the net enrollment numbers from the CCCCCO. We used delinquent fees and refund information provided by the district. For Activity 2, we added the number of refunds processed by district staff and deducted the number of Board of Governors Grant (BOGG) recipients confirmed by the CCCCCO from net student enrollment. For Activity 3, we used net enrollment numbers. For Activity 4, we deducted the number of BOGG recipients confirmed by the CCCCCO from net student enrollment. 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.

For the audit period, the district provided a breakdown of the number of students who paid their enrollment fees through the district's online system and those who paid in person. Based on the 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. During our observation, we observed district staff providing students, in person and over the telephone, step-by-step instructions for paying their enrollment fees online using the district's website. To process online payments, the district has available for students computer stations that are located outside the Cashier's Office. When students request to pay enrollment fees with a credit card, district staff members direct them to the computer stations outside and walk them through the payment process. We noted during our observations that district staff frequently assisted students in making online payments. Also, we observed students who had made online payments come to the Cashier's Office to ask questions and process additional payments for items other than enrollment fees. We determined that it is reasonable to add both the number of students who paid their enrollment fees through the district's online system and those who paid in person. Therefore, we did not allocate the net enrollment numbers to determine the number of enrollment fees paid in person.

Productive Hourly Rates

We determined that the district overstated and understated productive hourly rates in its claims for district staff during the audit period. In addition, costs were claimed for staff members who did not perform the reimbursable activities. Based on discussions with, and information from, representatives of the Cashier’s Office, we determined that employees in the following seven employee classifications performed the reimbursable activities during the audit period:

- Account Clerk II
- Accounting Technician I, II
- Admission/Records Specialist
- Admission/Records Technician
- Hourly Clerk
- Student Account Specialist
- Student Services Site Specialist

Based on information provided by the district, we determined average productive hourly rates for these staff members during the audit period. To calculate the average rate, we used employee classification salary range and benefit rate information provided by the district. For each employee classification, we used a salary amount in the middle of each range and 1,800 productive hours. We computed a simple average by dividing the total of the productive hourly rates by 7.

The following table summarizes the average productive hourly rates for Activity 1 through Activity 4 by fiscal year:

Activities 1 through 4	
Fiscal Year	Average Productive Hourly Rate
1998-99 - 2000-01	\$ 18.99
2001-02	20.28
2002-03	20.72
2003-04	20.92
2004-05	21.68
2005-06	21.85
2006-07	21.89
2007-08 - 2009-10	23.95

Activity 5 – Collecting Delinquent Enrollment Fees

Time increments

The district understated costs for collecting delinquent enrollment fees for the audit period. While we determined that the district incurred costs for collecting delinquent enrollment fees during the audit period, the district did not claim the costs.

We held discussions with various district representatives during the audit in order to determine the procedures that district staff followed to perform the reimbursable activity of collecting delinquent enrollment fees. Based on interviews with representatives of the Cashier's Office and our own observations, we determined the employee classifications that performed the reimbursable activity and the actual time spent.

The district maintains a spreadsheet that identifies a cumulative listing of students with delinquent enrollment fees for each academic year. The district reviews the delinquent fees spreadsheet and students' accounts to determine whether the accounts are still delinquent. The Cashier's Office is responsible for processing delinquent enrollment fee letters. The district is required to attempt contact with students regarding delinquent fees by sending the students two delinquent-fee letters within a 30-day period. The district is then required to wait 30 days from the date that the second delinquent fee letter was sent to the student before reporting the delinquent fee information to the CCCCCO for further collection activity. The CCCCCO refers delinquent accounts to the Franchise Tax Board for collection.

We documented the average time increment spent by district staff in collecting delinquent enrollment fees, based on our observations. We determined the total allowable time allowance for this activity is four minutes to process delinquent fee letters and one hour to report information to the CCCCCO. District representatives confirmed that this is the amount of time that it took to perform Activity 5 during the entire audit period.

Multiplier Calculation

The district provided the delinquent fee report, which included a cumulative listing of all delinquent fees the district processed for FY 2004-05, FY 2005-06 and FY 2007-08. We performed a filtered search so that the reports reflected only the total number of delinquent enrollment fees for each fiscal year. The district was able to provide reports only for these three fiscal years. We determined the total number of delinquent enrollment fees processed for these three years and calculated the average number of delinquent enrollment fees processed per year, totaling 136. We applied the average number of delinquent fees processed for all fiscal years of the audit period.

Productive Hourly Rates

Based on information provided by the district, we determined that the employee classification of Student Account Specialist performed Activity 5 during the audit period; we also determined the productive hourly rates for this classification during the audit period. To calculate the average rate, we used the Student Account Specialist salary range and benefit rate information provided by the district. We used a salary amount in the middle of the range and 1,800 productive hours to compute the following productive hourly rates:

Student Account Specialist	
Fiscal Year	Productive Hourly Rate
1998-99 - 2001-02	\$ 22.93
2002-03	23.17
2003-04	23.40
2004-05	24.70
2005-06 - 2006-07	25.31
2007-08 - 2009-10	27.73

Activity 6 – Providing a refund for students who establish fee waiver eligibility after the enrollment fee has been collected

Time Increments

Using forms developed by the district's mandated cost consultant, the district's prior Director of Fiscal Services estimated the hours district staff spent providing refunds for students who established fee waiver eligibility after paying enrollment fees to the district.

To receive a refund of enrollment fees paid, students are required to fill out a refund request form and submit it to the Cashier's Office for processing. The employee classification of Student Account Specialist performed the reimbursable activity during the audit period. When a refund request form is received, the student's account is reviewed to verify the student's current address and confirm whether or not a refund is due. If a refund is due, the refund amount is calculated and the refund information is logged into a spreadsheet and the refund request form is filed. The Student Account Specialist submits the refund spreadsheet to the Computer Services Department on a monthly basis. The Computer Services Administrator/Operator uploads the spreadsheet into the district's computer system. The upload process updates the students' accounts with calculated refund information and then generates and prints refund checks.

Based on our interviews and observations with district staff, we determined that it takes the Student Account Specialist 4 minutes to process refunds for students who established fee waiver eligibility after paying their enrollment fees to the district. We also determined that it takes the Computer Services Administrator/Operator 3.5 hours per month (42 hours per year) to perform the necessary steps to process the refund information and generate refund checks. The monthly processing time did not vary significantly due to the level of activity. District representatives confirmed that these time increments were representative of the time it took to perform reimbursable Activity 6 during the entire audit period.

The following table summarizes the time increments required to perform Activity 6 by fiscal year:

Activity 6	
Fiscal Year	Total Time Increment
1998-99	7.70
1999-2000	6.18
2000-01	6.60
2001-02	6.49
2002-03	6.20
2003-04	6.01
2004-05	5.78
2005-06	5.52
2006-07	5.37
2007-08	5.48
2008-09 - 2009-10	5.95

Multiplier Calculation

The district provided a report that identified the number of refunds issued during the audit period to students who established fee waiver eligibility after paying enrollment fees to the district.

Productive Hourly Rates

Consistent with the information presented for Activities 1 through 4, we determined that the district overstated and understated productive hourly rates in its claims for district staff during the audit period. In addition, the district claimed costs for staff members who did not perform the reimbursable activities. Based on discussions with, and information from, representatives of the Cashier's Office, we determined that employees in the classifications of Student Account Specialist and Computer Services Administrator/Operator performed the reimbursable activity during the audit period.

Based on information provided by the district, we determined average productive hourly rates for these staff members during the audit period. To calculate the average rate, we used employee classification salary range and benefit rate information provided by the district. For each employee classification, we used a salary amount in the middle of each range and 1,800 productive hours. We computed a simple average by dividing the total of the productive hourly rates by 2.

The following table summarizes the average productive hourly rates for Activity 6 by fiscal year:

Activity 6	
Fiscal Year	Average Productive Hourly Rate
1998-99 - 2000-01	\$ 24.21
2001-02	25.74
2002-03	26.01
2003-04	26.27
2004-05	27.36
2005-06	27.67
2006-07	27.67
2007-08 - 2009-10	30.31

Calculation of Time Increments

The following table summarizes the minutes allowable for reimbursable Activity 1 through Activity 6 by fiscal year:

Reimbursable Activity	Allowable					
	FY 1998-99	FY 1999-2000	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Referencing Students' Accounts	1.50	1.50	1.50	1.50	1.50	1.50
Calculating the Fee	6.00	6.00	6.00	6.00	6.00	6.00
Answering Questions	2.00	2.00	2.00	2.00	2.00	2.00
Updating Records	6.00	6.00	6.00	6.00	6.00	6.00
	<u>15.50</u>	<u>15.50</u>	<u>15.50</u>	<u>15.50</u>	<u>15.50</u>	<u>15.50</u>
Collecting Delinquent Fees	4.44	4.44	4.44	4.44	4.44	4.44
Providing Refunds	7.70	6.18	6.60	6.49	6.20	6.01
	<u>12.14</u>	<u>10.62</u>	<u>11.04</u>	<u>10.93</u>	<u>10.64</u>	<u>10.45</u>
Total	<u>27.64</u>	<u>26.12</u>	<u>26.54</u>	<u>26.43</u>	<u>26.14</u>	<u>25.95</u>

Reimbursable Activity	Allowable					
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Referencing Students' Accounts	1.50	1.50	1.50	1.50	1.50	1.50
Calculating the Fee	6.00	6.00	6.00	6.00	1.25	1.25
Answering Questions	2.00	2.00	2.00	2.00	2.00	2.00
Updating Records	6.00	6.00	6.00	6.00	1.25	1.25
	<u>15.50</u>	<u>15.50</u>	<u>15.50</u>	<u>15.50</u>	<u>6.00</u>	<u>6.00</u>
Collecting Delinquent Fees	4.44	4.44	4.44	4.44	4.44	4.44
Providing Refunds	5.78	5.52	5.37	5.48	5.95	5.95
	<u>10.22</u>	<u>9.96</u>	<u>9.81</u>	<u>9.92</u>	<u>10.39</u>	<u>10.39</u>
Total	<u>25.72</u>	<u>25.46</u>	<u>25.31</u>	<u>25.42</u>	<u>16.39</u>	<u>16.39</u>

Calculation of Multiplier

The following table summarizes the allowable amounts for the multiplier for each reimbursable activity that took place at the district during the audit period for reimbursable activities 1 through 6:

<u>Reimbursable Activity</u>	<u>Allowable Multiplier</u>
1	289,435
2	214,711
3	270,439
4	199,347
5	1,632
6	15,364
Total	<u>990,928</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 Activity 1 through Activity 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	48,721.60	7,235.00	(41,486.60)
2	110,788.39	18,577.00	(92,211.39)
3	23,269.15	9,015.00	(14,254.15)
4	11,793.83	17,244.00	5,450.17
5	-	120.00	120.00
6	669.50	1,527.00	857.50
Total Hours	<u>195,242.47</u>	<u>53,718.00</u>	<u>(141,524.47)</u>

Calculation of Costs by Reimbursable Activities

For Activity 1 we multiplied allowable minutes, based on our observation (1.50 minutes), by net student enrollment to determine the number of hours spent to perform the activity. We then multiplied the hours spent times the audited productive hourly rates to determine allowable costs for salaries and benefits. We determined net student enrollment by excluding from total student enrollment non-residents and special part-time students. The CCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCO identifies the district's enrollment based on the CCCCO's MIS data element STD 7, codes A through G. The CCCCO eliminates any duplicate students based on their Social Security numbers. We also included the number of delinquent fees and refunds processed by district staff.

For Activity 2, we multiplied the allowable minutes, based on our observation (6.00 minutes for FY 1998-99 through FY 2007-08 and 1.25 minutes for FY 2008-09 and FY 2009-10), by the adjusted net student enrollment to determine the number of hours spent to perform the activity. We then multiplied the hours spent times the audit productive hourly rates to determine allowable costs for salaries and benefits. To determine adjusted net student enrollment, we deducted from net student enrollment the number of students who were exempt from paying enrollment fees because they received BOGG fee waivers. We obtained the number of students in the district who received BOGG fee waivers each year from the CCCCCO based on data the district reported. 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. We also included the number of refunds processed by district staff.

For Activity 3, we multiplied the allowable minutes, based on our observation (2.00 minutes), by net student enrollment to determine the number of hours spent to perform the activity. We then multiplied the hours spent times the audited productive hourly rates to determine allowable costs for salaries and benefits.

For Activity 4, we multiplied the allowable minutes, based on our observation (6.00 minutes for FY 1998-99 through FY 2007-08 and 1.25 minutes for FY 2008-09 and FY 2009-10), by the adjusted net student enrollment to determine the number of hours spent to perform the activity. We then multiplied the hours spent times the audited productive hourly rates to determine allowable costs for salaries and benefits.

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that salaries and benefits totaling \$1,143,641 are allowable and \$1,478,498 is unallowable.

The following table summarizes the claimed and allowable salary and benefit costs by reimbursable activity for the audit period:

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
1	\$ 588,190	\$ 155,450	\$ (432,740)
2	1,411,251	389,137	(1,022,114)
3	409,630	193,700	(215,930)
4	196,609	360,763	164,154
5	-	2,966	2,966
6	16,459	41,625	25,166
Total	<u>\$ 2,622,139</u>	<u>\$ 1,143,641</u>	<u>\$ (1,478,498)</u>

Recommendation

We recommend 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 concurs with the finding and recommendation.

**FINDING 4—
Enrollment Fee
Waivers: Staff
Training Cost
Component –
unallowable one-time
costs**

The district claimed \$3,372 for the one-time activity of staff training (once per employee) for district staff members who implement the program on the procedures for determining which students are eligible for enrollment fee waivers. We determined that \$2,666 is allowable and \$706 is unallowable. The district claimed staff training costs for FY 1999-2000, FY 2000-01, and FY 2003-04 through FY 2008-09. Based on our review, the district claimed staff training costs for the same employees in its claims for FY 2006-07, FY 2007-08, and FY 2008-09 that it claimed for FY 2005-06. Therefore, we determined that staff training costs claimed in FY 2006-07, FY 2007-08, and FY 2008-09 are unallowable. We also determined that the district understated employee training costs in FY 1999-2000 through FY 2005-06.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the one-time reimbursable costs for the Enrollment Fee Waivers – Staff Training Costs component:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 552	\$ 653	\$ 101
2000-01	253	342	89
2003-04	133	273	140
2004-05	681	820	139
2005-06	439	578	139
2006-07	441	-	(441)
2007-08	447	-	(447)
2008-09	426	-	(426)
Total, salaries and benefits	<u>\$ 3,372</u>	<u>\$ 2,666</u>	<u>\$ (706)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that created at or near the same time the actual cost was 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 IV.B.1.b – Reimbursable Activities – Enrollment Fee Waivers – One-Time Activities – Staff Training (one time per employee) state that staff training is reimbursable as a one-time cost per employee for training district staff who implement the program on the procedures for determining which students are eligible for waiver of the enrollment fee. Consistent with the Final Staff

Analysis for policies and procedures, training existing staff for changes in the community college district's policies and procedures is not reimbursable.

Recommendation

We recommend 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 concurs with the finding and recommendation.

FINDING 5— Enrollment Fee Waivers: Adopting Procedures, Recording and Maintaining Records Cost Component – unallowable ongoing costs

The district claimed \$742,947 in salaries and benefits related to adopting procedures, recording, and maintaining records related to enrollment fee waivers. We determined that \$23,840 is allowable and \$719,107 is unallowable. The costs are unallowable because the district claimed costs based on estimates of time required to perform the reimbursable activity and costs for employees classifications who did not perform the reimbursable activity.

We worked with district staff at the Financial Aid Office to determine the tasks involved during the audit period to perform the reimbursable activities to update the Board of Governors Fee Waiver Program and Special Programs (BOGW) Manual for revisions and additions made by the CCCCCO and to purge old and store new BOGG fee-waiver records and the time required to complete them. We also obtained information from the CCCCCO confirming updates to BOGW information for FY 2003-04, FY 2005-06, and FY 2009-10. Using the information provided by the district, we determined allowable costs for these years.

Based on interviews conducted with the Director of Financial Aid and our review of the BOGW Manual the district provided, we determined the following employee classifications and allowable hours for the reimbursable activity of Adopting Procedures:

FY 2003-04, FY 2005-06, and FY 2009-10

- 16 hours for the Director of Financial Aid classification
- 24 hours for the Financial Aid Clerk II classification
- 16 hours for the Financial Aid Specialist classification
- 40 hours for the Financial Aid Technician classification

For the reimbursable activity of Recording and Maintaining Records, we determined that 64 hours were allowable for the Financial Aid Clerk II classification title.

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

The following table summarizes the claimed, allowable, and audit adjustment amounts related to adopting procedures, recording, and maintaining records related to enrollment fee waivers costs:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 53,371	\$ 1,188	\$ (52,183)
2000-01	61,505	1,188	(60,317)
2001-02	61,148	1,298	(59,850)
2002-03	63,148	1,344	(61,804)
2003-04	63,800	4,045	(59,755)
2004-05	112,862	1,434	(111,428)
2005-06	122,025	4,215	(117,810)
2006-07	71,783	1,434	(70,349)
2007-08	53,935	1,570	(52,365)
2008-09	39,685	1,570	(38,115)
2009-10	39,685	4,554	(35,131)
Total, salaries and benefits	<u>\$ 742,947</u>	<u>\$ 23,840</u>	<u>\$ (719,107)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that created at or near the same time the actual cost was 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 IV.B.2.a – 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).)

Salaries and Benefits

For FY 1999-2000 through FY 2009-10, the district claimed salaries and benefits for Adopting Procedures, Recording and Maintaining Records cost component. The district claimed employee classifications that did not perform reimbursable activity. The district estimated the time required for district staff to perform the reimbursable activity using forms developed by the district's mandated cost consultant. The district did not provide any source documentation based on actual data to support actual hours spent by district staff to perform the reimbursable activity.

Based on interviews held with Financial Aid Office staff and observations made, we determined the employee classifications that performed the reimbursable activity and the actual time spent performing the activities. We interviewed district staff in order to determine the procedures that district staff followed to perform the reimbursable activity.

Allowable hours for Adopting Procedures

The Director of Financial Aid is responsible for preparing, planning, and organizing staff updates for Adopting Procedures for the Enrollment Fee Waivers program. The district advised our office that the CCCCOC notifies the district when additions and revisions have been made to the BOGW Program Manual. The Director of Financial Aid is responsible for reviewing the BOGW Program Manual to determine what additions and revisions have been made and how they affect the district. The CCCCOC made revisions and additions to the BOGW Program Manual for FY 2003-04, FY2005-06, and FY 2009-10. The Director of Financial Aid stated that she spends eight hours reviewing and preparing information for Adopting Procedures updates provided to district staff. The Director of Financial Aid is also responsible for updating staff on adopted procedures and revisions and additions made to the BOGW Program Manual and how they affect the district.

Staff attending these meetings included three Financial Aid Clerks II, two Financial Aid Specialists, five Financial Aid Technicians, and the Financial Aid Director. We determined that the time spent for preparing information for Adopting Procedures updates is reasonable to comply with the reimbursable activity. Therefore, we determined allowable costs based on eight hours of preparation time for the Director of Financial Aid to update staff on adopted procedures and eight hours per employee classification to attend update meetings during FY 2003-04, FY 2005-06, and FY 2009-10.

Allowable hours for Recording and Maintaining Records

The district is required to record and maintain records for the Enrollment Fee Waivers program. District staff is required to purge BOGG fee waivers on an annual basis. Staff responsible for purging the BOGG fee waivers includes two Financial Aid Clerk IIs. District staff alphabetizes BOGG fee waivers by fiscal year, then labels and files them. We determined that district staff spent 32 hours per position purging BOGG fee waivers annually. Therefore, we determined allowable costs for two Financial Aid Clerk IIs to purge BOGG fee waivers on an annual basis.

Recommendation

We recommend 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 concurs with the finding and recommendation.

**FINDING 6—
Enrollment Fee
Waivers: Waiving
Student Fees Cost
Component –
unallowable ongoing
costs**

The district claimed \$827,395 in salaries and benefits for the Waiving Student Fees cost component during the audit period 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 \$272,079 is allowable and \$555,316 is unallowable. The costs are unallowable because the district claimed costs based on estimates of time required to perform the reimbursable activities. The district also made an addition error of \$3,824 in its claim for FY 2009-10, when it transferred subtotals of \$16,763 and \$13,822 from the first two pages of SCO Claim Form 2 as \$18,858 and \$15,561, respectively, on page 3 of SCO Claim Form 2.

The following table summarizes the overstated on-going costs related to waiving student fees by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1999-2000	\$ 40,004	\$ 14,519	\$ (25,485)
2000-01	96,747	14,635	(82,112)
2001-02	85,362	16,228	(69,134)
2002-03	86,083	23,994	(62,089)
2003-04	66,853	24,715	(42,138)
2004-05	98,345	27,423	(70,922)
2005-06	120,206	27,152	(93,054)
2006-07	80,525	27,505	(53,020)
2007-08	61,270	29,757	(31,513)
2008-09	46,681	31,637	(15,044)
2009-10	45,319	34,514	(10,805)
Total, salaries and benefits	\$ 827,395	\$ 272,079	\$ (555,316)

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., tit. 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.”

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. For FY 1999-2000 through FY 2009-10, the district claimed salaries and benefits for the six reimbursable activities under the Waiving Student Fees cost component.

The district did not compute claimed costs based on average time allowances to perform the reimbursable activities. Instead, district employees estimated, on forms developed by the district's mandated cost consultant, the percentage of each work day spent by various employee classifications to perform each of the six reimbursable activities. The district did not provide any source documentation based on actual data to support the estimated time allowances. In addition, the district did not factor in the varying level of effort spent by staff as a result of changes in the number of BOGG fee waiver applications processed from year to year.

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 interviewed with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff working in the Financial Aid Office that processes BOGG fee waiver applications for students. We documented the average time increments spent by district staff to perform these activities based on our observations. Based on the interviews we held with the Financial Aid Office staff and our observations, we also determined the employee classifications that performed the reimbursable activities during the audit period.

As noted previously, the district did not factor into its calculations the varying level of effort required due to changes in the number of BOGG fee waiver applications processed. We documented the average time increments spent by district staff performing these activities, based on our observations. We calculated costs for each of the reimbursable activities using the time increments that we observed and the number of fee waiver applications processed (multiplier). We determined that the district overstated salaries and benefits by \$555,316 for the audit period.

Activities 7 through 12

Activity 7 - Answering Student Questions

We observed a Financial Aid Technician and Financial Aid Clerk assisting students who applied in person for BOGG fee waivers. District staff assist students at the front counters of the Financial Aid Office by accepting BOGG fee waiver applications and answering students' questions related to the BOGG fee waiver program.

Activity 8 - Receiving Enrollment Fee Waiver Applications

The district receives paper BOGG fee waiver applications in person, by fax, through the mail, through a drop box located outside the Financial Aid Office, and through the district's BOGW download process, which extracts BOGG fee waiver applications prepared online from the Free Application for Federal Student Aid (FAFSA) website.

The Financial Aid Technician is responsible for the BOGW download process that extracts BOGG fee waiver applications prepared online from the FASFA website. The Financial Aid Technician completes the download process multiple times per week to ensure that BOGG fee waiver applications prepared online from the FASFA website are being received on a timely basis. The Financial Aid Technician completes a manual step-by-step process to download applications from the FASFA website. District staff generates reports from the information that is downloaded and must verify that the information is accurate, complete, and unduplicated.

The district provided the total number of BOGG fee waiver application downloads processed during FY 2006-07 through FY 2009-10. We determined the district processed a total of 273 downloads during these years. The district was unable to provide report totals for prior fiscal years. Therefore, we determined the average number of downloads processed per fiscal year is 68.

Activity 9 - Evaluating waiver applications and verifying documentation

District staff members in the Financial Aid Office evaluate waiver applications and verify documentation to determine whether students who apply to receive the BOGG fee waivers are eligible.

Activity 10 - Notifying students of additional required information, in the case of an incomplete application

In the case of an incomplete application, district staff advises students who submit fee waiver applications in person of the additional information that is required to process their application. Students are responsible for maintaining their applications until they obtain the additional information required. District staff notifies students by email indicating what additional information is required for BOGG fee waiver applications that are received through mail, drop box, fax, and from the BOGW download process. BOGG fee waiver applications that are received through mail, drop box, fax, and from the BOGW download process are filed for further review. Incomplete applications take district staff additional time to process because a staff member must write an email and update the student's file in the system.

The district provided a report for the total number of incomplete applications processed for FY 2008-09 and FY 2009-10. The district was unable to provide reports for the number of incomplete applications processed for prior fiscal years. Therefore, we determined that the average number of incomplete applications processed per fiscal year is 222.

Activity 11 - Copying all documentation and file the information for further review, in the case of an approved application

We observed district staff manually evaluating applications for eligibility and verifying documentation (Activity 9), as well as date stamping, signing, and filing approved applications (Activity 11). If the district determines that the student is eligible for a BOGG fee waiver, staff posts the fee waiver.

No paper documents for the BOGG fee waiver applications are extracted from the FAFSA website. The BOGG fee waiver download is a step-by-step process that is completed manually. Once the process has been completed by the Financial Aid Technician, updates to student records are processed overnight. The Student Account Specialist in the Cashier's Office is responsible for completing the manual process by posting award amounts to students' accounts.

Activity 12 - Appealing a denied BOGG fee waiver application

We determined that any additional information and documentation provided by students pertaining to fee waiver applications that were denied is considered an appeal of the initial denial of a BOGG fee waiver. Based on our observations, BOGG fee waivers were denied because of income requirements. District staff prepares emails informing the students why their waiver applications were denied, sends the emails, and updates student accounts in the system to indicate why waiver applications were denied. District staff prints a copy of the email, dates and signs waiver applications, and files the documentation for further review.

The district provided a report for the total number of denied applications processed for FY 2008-09 and FY 2009-10. The district was unable to provide reports for the number of denied applications processed for prior fiscal years. Therefore, we determined that the average number of denied applications processed per year is 142.

Time Increments

The district did not compute claimed costs based on average time allowances to perform the reimbursable activities. Instead, district employees estimated, on forms developed by the district's mandated cost consultant, the percentage of each work day that was spent by various employee classifications to perform each of the six reimbursable activities. Using these forms, the district estimated the number of hours spent annually by district staff on the reimbursable activities.

The mandated activities were being performed at the district during the audit period; therefore, we assessed whether or not the time estimates cited by district staff were reasonable. We interviewed various district representatives in order to determine the procedures district staff followed in order to perform the reimbursable activities. We observed district staff in the Financial Aid Office performing the reimbursable activities. We documented the average time increments spent by district staff to perform these activities, based on our observations. We determined that the hours claimed for these activities for the audit period were overstated.

Over several days, we observed enrollment fee waiver activities performed by district staff encompassing reimbursable Activities 7 through 12. Based on our observations, we determined that the average time to perform Activity 7 is 1.5 minutes, and to perform Activity 8 is 1.0 minute. For Activity 8, we also determined that it took the district 3.5 hours to perform a download process for BOGG fee waiver applications and that the district performs the download process 68 times per year on average. Therefore, we included an additional 306 hours per fiscal year for the audit period to perform this activity as part of Activity 8. We determined that the average time to perform Activity 9 is 1.5 minutes, to perform Activity 10 is 6.2 minutes, to perform Activity 11 is 2.7 minutes, and to perform Activity 12 is 4.0 minutes. District representatives confirmed that our observations captured the amount of time that it took to perform Activity 7 through Activity 12 during the audit period.

Multiplier Calculation

For Activity 7 through Activity 9, we applied the time required to perform reimbursable activities by the number of students who received BOGG fee waivers, per statistics provided by the CCCCCO. Using data that the district reported, 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.

For Activity 10 (incomplete BOGG fee waiver applications), we applied the time increments to the average number of incomplete BOGG fee waiver applications processed per fiscal year based on information provided by the district.

For Activity 11 (approved BOGG fee waiver applications), 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. We used data that the district reported to the CCCCCO that 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. We adjusted the CCCCCO information by deducting students whose fee waiver applications were incomplete and denied, based on information provided by district.

For Activity 12 (appeals of denied BOGG fee waiver applications), we applied the time increments to the number of denied BOGG fee waiver applications processed per fiscal year, based on information provided by the district.

Calculation of Time Increments

The following table summarizes the minutes allowable for reimbursable Activity 7 through Activity 12 by fiscal year:

<u>Reimbursable Activity</u>		
7	Answer Questions	1.50
8	Receive Applications	1.00
9	Evaluate Applications	1.50
10	Incomplete Application:	6.20
11	Approved Applications	2.70
12	Denied Applications	<u>4.00</u>
	Total	<u>16.90</u>

Calculation of Multiplier - Number of BOGG Fee Waivers

The following table summarizes the allowable amounts for the multiplier for each reimbursable activity that took place at the district during the audit period for reimbursable Activity 7 through Activity 12:

<u>Reimbursable Activity</u>	<u>Allowable Multiplier</u>
7	73,759
8	73,759
9	73,759
10	2,442
11	69,755
12	<u>1,562</u>
Total	<u>295,036</u>

Productive Hourly Rates

We recalculated the productive hourly rates based on the classification titles of district staff involved in waiving student fee activities. Also, we calculated an average productive hourly rate applicable to reimbursable activities. We determined that the district misstated the productive hourly rates claimed.

The following table summarizes the productive hourly rates claimed and allowable for reimbursable Activity 7 through Activity 12:

Reimbursable Activities	Claimed										
	FY 1999-2000	FY 2000-2001	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010
7 Answer questions	\$18.52	\$ 17.92	\$ 15.19	\$ 18.22	\$ 14.19	\$ 19.71	\$ 22.48	\$ 22.59	\$ 22.92	\$ 21.83	\$ 21.83
8 Receive applications	18.52	17.92	15.19	18.22	14.19	19.71	22.48	22.59	22.92	21.83	21.83
9 Evaluate applications	18.52	17.92	15.19	18.22	14.19	19.71	22.48	22.59	22.92	21.83	21.83
10 Incomplete applications	18.52	17.92	15.19	18.22	17.62	21.29	21.93	22.04	22.35	21.29	21.29
11 Approved applications	18.52	17.92	18.51	18.67	17.62	21.29	21.93	22.04	22.35	21.29	21.29
12 Denied applications	18.52	17.92	18.51	18.67	17.62	21.29	21.93	22.04	22.35	21.29	21.29
Reimbursable Activities	Allowable										
7 Answer questions	\$ 18.56	\$ 18.56	\$ 20.55	\$ 21.27	\$ 21.68	\$ 22.98	\$ 22.40	\$ 22.40	\$ 24.54	\$ 24.54	\$ 24.54
8 Receive applications	18.56	18.56	20.55	21.27	21.68	22.98	22.40	22.40	24.54	24.54	24.54
9 Evaluate applications	18.56	18.56	20.55	21.27	21.68	22.98	22.40	22.40	24.54	24.54	24.54
10 Incomplete applications	18.56	18.56	20.55	21.27	21.68	22.98	22.40	22.40	24.54	24.54	24.54
11 Approved applications	18.56	18.56	20.55	21.27	21.68	22.98	22.40	22.40	24.54	24.54	24.54
12 Denied applications	18.56	18.56	20.55	21.27	21.68	22.98	22.40	22.40	24.54	24.54	24.54

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 Activity 7 through Activity 12.

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

Reimbursable Activity	Hours Claimed	Hours Allowable	Adjusted Hours
7 Answer Questions	7,835.85	1,844.00	(5,991.85)
8 Receive Applications	7,835.85	1,229.00	(6,606.85)
8 Online BOGG application	-	3,366.00	3,366.00
9 Evaluate Applications	7,835.85	1,844.00	(5,991.85)
10 Incomplete Applications	5,883.91	252.00	(5,631.91)
11 Approved Applications	6,243.92	3,139.00	(3,104.92)
12 Denied Applications	6,243.90	104.00	(6,139.90)
Total Hours	41,879.28	11,778.00	(30,101.28)

Calculation of Costs by Reimbursable Activities

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that \$272,079 in salaries and benefits is allowable and \$555,316 is unallowable.

The following table summarizes the claimed and allowable salary and benefit costs by reimbursable activity for the audit period:

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
7	\$ 153,710	\$ 41,562	\$ (112,148)
8	153,710	110,266	(43,444)
9	153,709	41,562	(112,147)
10	115,930	5,552	(110,378)
11	123,255	70,846	(52,409)
12	123,257	2,291	(120,966)
FY 2009-10 addition error	3,824	-	(3,824)
Total:	<u>\$ 827,395</u>	<u>\$ 272,079</u>	<u>\$ (555,316)</u>

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 concurs with the finding and recommendation.

**FINDING 7—
Enrollment Fee
Waivers: Reporting to
the CCCCCO the
Number and Amounts
Provided for BOGG
Fee Waivers Cost
Component –
unallowable ongoing
costs**

The district claimed \$67,665 in salaries and benefits related to reporting the number and amount of BOGG fee waivers to the CCCCCO. We determined that \$64,830 is allowable and \$2,835 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activity and claimed employee classifications that did not perform the reimbursable activity.

The following table summarizes the claimed, allowable, and audit-adjustment amounts related to reporting BOGG fee waivers to the CCCCCO:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1999-2000	\$ 5,962	\$ 5,071	\$ (891)
2000-01	6,260	5,071	(1,189)
2001-02	6,433	5,673	(760)
2002-03	6,566	5,730	(836)
2003-04	7,221	5,788	(1,433)
2004-05	7,407	5,965	(1,442)
2005-06	7,630	5,965	(1,665)
2006-07	7,667	5,965	(1,702)
2007-08	5,111	6,534	1,423
2008-09	3,704	6,534	2,830
2009-10	3,704	6,534	2,830
Total, salaries and benefits	<u>\$ 67,665</u>	<u>\$ 64,830</u>	<u>\$ (2,835)</u>

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 the actual cost was 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 IV.B.2.c – Reimbursable Activities – Enrollment Fee Waivers – Ongoing Activities) allow ongoing activities related to “Reporting to the CCC the number of and amounts provided for BOG fee waivers. (Cal. Code Regs., tit. 5, § 58611.)”

Salaries and Benefits

For FY 1999-2000 through FY 2009-10, the district claimed salaries and benefits for the Reporting the Numbers of and Amounts of BOGG Fee Waivers to the CCCCCO cost component. The district estimated, using forms developed by the district’s mandated cost consultant, the percentage of each work day that was spent by various employee classifications to perform the reimbursable activity. The district did not provide any source documentation based on actual data to support the estimated time allowances. The district also claimed employee classifications that did not perform reimbursable activity.

We interviewed Financial Aid Office and Computer Services staff to determine the employee classifications that performed the activity and the procedures that district staff followed. We observed district staff to determine the actual time spent performing the reimbursable activity.

Costs Claimed

The district claimed costs for the employee classifications of Director of Financial Aid and the MIS Coordinator-Computer Services to perform the reimbursable activity during the audit period. The time spent on the activity was estimated as follows:

FY 1999-2000 through FY 2002-03

- 36 hours for the Director of Financial Aid classification
- 180 hours for the MIS Coordinator-Computer Services classification

FY 2003-04 through FY 2006-07

- 48 hours for the Director of Financial Aid classification
- 180 hours for the MIS Coordinator-Computer Services classification

FY 2007-08

- 32 hours for the Director of Financial Aid classification
- 120 hours for the MIS Coordinator-Computer Services classification

FY 2008-09 through FY 2009-10

- 24 hours for the Director of Financial Aid classification
- 90 hours for the MIS Coordinator-Computer Services classification

Claimed costs were determined by multiplying the annual hours by the productive hourly rate for the classification.

Allowable hours for Reporting the Numbers and Amounts of BOGG Fee Waivers to the CCCCCO

The Computer Services Administrator/Operator reports the numbers and amounts of BOGG fee waivers to the CCCCCO for the Enrollment Fee Waivers program on an annual basis. The district electronically submits three files to the CCCCCO that contain the numbers and amounts of BOGG fee waivers the district processed during the year. The CCCCCO reviews the electronic files the district submitted to ensure that the information is complete and accurate. Once the CCCCCO reviews the BOGG fee waiver information the district submitted, an error report will be generated if discrepancies, incomplete information, and/or inaccurate information is found.

The district downloads the error report from the CCCCCO's website, then the Computer Services Administrator/Operator researches and provides explanations on the error report as to why errors occurred. We determined that the district researches an average of 750 errors per year. We observed the process and determined that it takes district staff 10 minutes per report to perform this reimbursable activity. In addition, we determined one hour is allowable for the Computer Services Administrator/Operator to compose and send an email to the Financial Aid Office to correct the errors. The Financial Aid Technology Support Specialist in Financial Aid then corrects the errors identified on the error report; we determined that it takes two hours to correct the errors. The Financial Aid Technology Support Specialist submits the corrections to the Computer Services Administrator/Operator for review; the Financial Aid Technology Support Specialist spends one hour reviewing the corrections. Once the review process is complete, the error report is submitted to the CCCCCO's server.

We determined that the district reported the numbers and amounts of BOGG fee waivers to the CCCCCO an average 35 times per fiscal year for the audit period. We determined that two hours are allowable per submission of numbers and amounts of BOGG fee waivers to the CCCCCO for time spent by the Financial Aid Technology Support Specialist.

Allowable Costs

We determined that the employee classifications of Computer Services Administrative/Operator and Financial Aid Technology Support Specialist performed the reimbursable activity of reporting BOGG fee waiver information to the CCCCCO during the audit period based on information provided by the district. For each year of the audit period, we calculated allowable costs based on 197 hours spent by the Computer Services Administrative/Operator and 2 hours by the Financial Aid Technology Support Specialist using each classification's productive hourly rate for each year of the audit period. Using this information, we determined allowable costs of \$64,830, and determined that claimed costs were overstated by \$2,835 for the audit period.

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 concurs with the finding and recommendation.

FINDING 8— Unallowable indirect costs

The district claimed indirect costs during the audit period totaling \$759,934 (\$391,121 for enrollment fee collection activities and \$368,813 for enrollment fee waiver activities). For enrollment fee collection activities, we determined that \$277,546 is allowable and \$113,575 is unallowable. For enrollment fee waiver activities, we determined that \$108,547 is allowable and \$260,266 is unallowable. The costs are unallowable because of indirect cost rate calculation errors made in the district's claims for FY 2004-05 through FY 2009-10 (+\$53,408) and the adjustments made to salaries and benefits identified in Findings 1 through 7 (\$427,249).

Indirect Cost Rates Claimed

The district claimed the standard rate of 7% for FY 1998-99 through FY 2003-04. For FY 2004-05 through FY 2009-10, the district claimed indirect costs based on indirect cost rates that it calculated using the SCO's FAM-29C methodology.

For FY 2004-05 through FY 2009-10, we noted errors in the indirect cost rates that the district claimed.

Recalculated Indirect Cost Rates

Our calculations show that the district understated its indirect cost rates for FY 2004-05 through FY 2009-10.

For FY 2004-05 and FY 2005-06, we used the audited indirect cost rates from the final report issued on October 12, 2012, based on our audit of the district's Collective Bargaining Program claims. In that audit, the district also used the FAM-29C methodology to claim indirect costs.

For FY 2006-07 through FY 2009-10, we recalculated indirect cost rates using the FAM-29C methodology by using the information contained in the California Community College Annual Financial Budget Report Expenditures by Activity report (CCFS-311).

For FY 2006-07 through FY 2009-10, the district included physical property and related acquisitions as a direct cost in the indirect cost rate calculation. In FY 2006-07, FY 2007-08, and FY 2008-09, the district included Long-Term Debt Other Financing as a direct cost in the indirect cost rate calculation. The SCO form FAM-29C excludes this activity classification from the calculation. For FY 2006-07 through FY 2009-10, the district did not include Depreciation of Capital Assets as an indirect cost in the indirect cost rate calculation. We obtained this information from the Notes to the District's Audited Annual Financial Statements.

In FY 2007-08, the district included operating expenses as direct costs. The SCO's FAM-29C methodology allows only salaries and benefit costs as direct costs.

In FY 2008-09 and FY 2009-10, we found that the district included the Community Relations activity classification as an indirect cost. The SCO FAM-29C form allocates this cost as a direct cost.

The following table summarizes the claimed, allowable, and audit adjustments for indirect cost rates:

<u>Fiscal Year</u>	<u>Claimed</u>	<u>Allowable</u>	<u>Audit Adjustment</u>
1998-99	7.00%	7.00%	-
1999-2000	7.00%	7.00%	-
2000-01	7.00%	7.00%	-
2001-02	7.00%	7.00%	-
2002-03	7.00%	7.00%	-
2003-04	7.00%	7.00%	-
2004-05	30.94%	36.36%	5.42%
2005-06	31.32%	37.14%	5.82%
2006-07	35.72%	41.22%	5.50%
2007-08	35.76%	45.56%	9.80%
2008-09	40.53%	43.46%	2.93%
2009-10	39.05%	48.80%	9.75%

Enrollment Fee Collection

The district claimed \$391,121 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 \$277,546 is allowable and \$113,575 is unallowable. We determined that the district understated indirect costs totaling \$37,875 due to the indirect cost rate adjustments mentioned above and \$151,450 is unallowable as a result of adjustments to salaries and benefits identified in Findings 1 through 7.

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

Fiscal Year	Enrollment Fee Collection				
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Costs	Allowable Costs	Audit Adjustment
1998-99	7.00%	7.00%	\$ 27,262	\$ 6,403	\$ (20,859)
1999-2000	7.00%	7.00%	28,246	6,627	(21,619)
2000-01	7.00%	7.00%	23,070	6,769	(16,301)
2001-02	7.00%	7.00%	20,079	7,465	(12,614)
2002-03	7.00%	7.00%	19,164	7,232	(11,932)
2003-04	7.00%	7.00%	14,868	7,346	(7,522)
2004-05	30.94%	36.36%	65,677	39,063	(26,614)
2005-06	31.32%	37.14%	45,758	39,368	(6,390)
2006-07	35.72%	41.22%	52,954	44,934	(8,020)
2007-08	35.76%	45.56%	32,990	57,074	24,084
2008-09	40.53%	43.46%	31,283	25,896	(5,387)
2009-10	39.05%	48.80%	29,770	29,369	(401)
Total			<u>\$ 391,121</u>	<u>\$ 277,546</u>	<u>\$ (113,575)</u>

Enrollment Fee Waivers

The district claimed \$368,813 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 \$108,547 is allowable and \$260,266 is unallowable. We determined that the district understated indirect costs totaling \$15,533 due to the indirect cost rate adjustments mentioned previously. We also determined that \$275,799 is unallowable as a result of the unallowable salaries and benefits identified in Findings 1 through 7.

The following table summarizes the overstated indirect costs related to enrollment fee waivers by fiscal year:

Fiscal Year	Enrollment Fee Waivers				
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Costs	Allowable Costs	Audit Adjustment
1999-2000	7.00%	7.00%	\$ 7,027	\$ 1,535	\$ (5,492)
2000-01	7.00%	7.00%	11,570	1,523	(10,047)
2001-02	7.00%	7.00%	10,743	1,661	(9,082)
2002-03	7.00%	7.00%	10,944	2,213	(8,731)
2003-04	7.00%	7.00%	9,699	2,476	(7,223)
2004-05	30.94%	36.36%	68,026	13,166	(54,860)
2005-06	31.32%	37.14%	78,577	14,297	(64,280)
2006-07	35.72%	41.22%	57,511	14,630	(42,881)
2007-08	35.76%	45.56%	43,398	17,521	(25,877)
2008-09	40.53%	43.46%	36,678	17,271	(19,407)
2009-10	39.05%	48.80%	34,640	22,254	(12,386)
Total			<u>\$ 368,813</u>	<u>\$ 108,547</u>	<u>\$ (260,266)</u>

The parameters and guidelines (section V.B. – Claim Preparation and Submission – Indirect Costs) state that:

Indirect costs are costs that have been incurred for common or joint purposes...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 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 concurs with the finding and recommendation.

FINDING 9— Understated and overstated offsetting reimbursements

The district claimed offsetting reimbursements totaling \$1,099,225 (\$376,202 for enrollment fee collection and \$723,023 for enrollment fee waivers). We determined that offsetting reimbursements for enrollment fee collection were understated by \$239,032 and enrollment fee waivers were overstated by \$246,085. The offsetting reimbursements were misstated because the district did not report the correct amounts that it received from the CCCCO for enrollment fee collection or enrollment fee waivers in any fiscal year of the audit period.

Enrollment Fee Collection

As noted above, the district claimed offsetting reimbursements for enrollment fee collection totaling \$376,202 related to the offset of 2% of revenues from enrollment fees. We obtained a report from the CCCCO confirming enrollment fee collection offsets paid to the district, totaling \$615,234, during the audit period. We limited offsetting reimbursements received by the district to allowable direct and indirect enrollment fee collection costs. Allowable direct and indirect enrollment fee collection costs applicable for the audit period totaled \$1,442,765. The district understated offsetting reimbursements by \$239,032, consisting of offsets applicable to the audit period of \$615,234 less offsets claimed of \$376,202.

The following table summarizes the understated enrollment fee collection offsetting reimbursements by fiscal year:

Enrollment Fee Collection Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offsets Confirmed by the CCCCCO (C)	Offset Applicable to Audit (D)	Audit Adjustment E = (D - B)
1998-99	\$ 97,868	\$ (13,454)	\$ (31,483)	\$ (31,483)	\$ (18,029)
1999-2000	101,296	(23,102)	(29,381)	(29,381)	(6,279)
2000-01	103,473	(15,333)	(30,855)	(30,855)	(15,522)
2001-02	114,107	(14,243)	(31,274)	(31,274)	(17,031)
2002-03	110,547	(15,438)	(32,072)	(32,072)	(16,634)
2003-04	112,287	(24,480)	(50,011)	(50,011)	(25,531)
2004-05	146,498	(38,237)	(70,169)	(70,169)	(31,932)
2005-06	145,366	(38,953)	(76,529)	(76,529)	(37,576)
2006-07	153,945	(66,305)	(67,438)	(67,438)	(1,133)
2007-08	182,346	(31,468)	(61,807)	(61,807)	(30,339)
2008-09	85,481	(32,018)	(61,407)	(61,407)	(29,389)
2009-10	89,551	(63,171)	(72,808)	(72,808)	(9,637)
Total	\$ 1,442,765	\$ (376,202)	\$ (615,234)	\$ (615,234)	\$ (239,032)

Enrollment Fee Waivers

For enrollment fee waivers, we also limited offsetting reimbursements received by the district to allowable direct and indirect costs. We obtained a report from the CCCCCO confirming enrollment fee waivers offsets paid to the district, totaling \$945,990, for the audit period. Allowable direct and indirect costs applicable for the audit period totaled \$476,938. The district overstated allowable enrollment fee waivers offsets by \$246,085, consisting of offsets applicable to the audit period of \$476,938 less offsets claimed of \$723,023.

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

Enrollment Fee Waivers Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offsets Confirmed by the CCCCCO (C)	Offset Applicable to Audit (D)	Audit Adjustment E = (D - B)
1999-2000	\$ 23,459	\$ (55,652)	\$ (63,252)	\$ (23,459)	\$ 32,193
2000-01	23,275	(63,421)	(60,921)	(23,275)	40,146
2001-02	25,387	(58,914)	(59,741)	(25,387)	33,527
2002-03	33,830	(63,858)	(70,637)	(33,830)	30,028
2003-04	37,851	(61,881)	(80,771)	(37,851)	24,030
2004-05	49,376	(66,914)	(107,178)	(49,376)	17,538
2005-06	52,792	(68,169)	(98,383)	(52,792)	15,377
2006-07	50,122	(63,363)	(104,471)	(50,122)	13,241
2007-08	55,978	(69,882)	(97,592)	(55,978)	13,904
2008-09	57,012	(70,989)	(97,973)	(57,012)	13,977
2009-10	67,856	(79,980)	(105,071)	(67,856)	12,124
Total	\$ 476,938	\$ (723,023)	\$ (945,990)	\$ (476,938)	\$ 246,085

We applied offsetting reimbursements to allowable direct and indirect enrollment fee waivers costs and found that the unused portion of offsetting reimbursements totals \$469,052, as follows:

Fiscal Year	Actual Offsets Confirmed by the CCCCCO (A)	Offsets Applicable Audit (B)	Unused Portion of Offsets C = (A - B)
1999-2000	\$ (63,252)	\$ (23,459)	\$ (39,793)
2000-01	(60,921)	(23,275)	(37,646)
2001-02	(59,741)	(25,387)	(34,354)
2002-03	(70,637)	(33,830)	(36,807)
2003-04	(80,771)	(37,851)	(42,920)
2004-05	(107,178)	(49,376)	(57,802)
2005-06	(98,383)	(52,792)	(45,591)
2006-07	(104,471)	(50,122)	(54,349)
2007-08	(97,592)	(55,978)	(41,614)
2008-09	(97,973)	(57,012)	(40,961)
2009-10	(105,071)	(67,856)	(37,215)
Total	<u>\$ (945,990)</u>	<u>\$ (476,938)</u>	<u>\$ (469,052)</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 students² or recipients of public assistance³, or dependents or surviving spouses of National Guard soldiers killed in the line of duty⁴ 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].⁵

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.

2, 3, 4, and 5 The parameters and guidelines provide additional clarification.

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 concurs with the finding and recommendation.

**FINDING 10—
Misstated productive
hourly rates**

For the audit period, the district calculated productive hourly rates for employees involved in calculating and collecting enrollment fees and for employees involved in waiving student fees. However, the district provided actual cost data to calculate productive hourly rates only for some years of the audit period. The district's mandated cost consultant calculated the claimed productive hourly rates by using actual cost data, and divided the amounts by 1,800 productive hours. However, the productive hourly rates were based on estimates for years for which the district did not provide actual cost data to its mandated cost consultant. We noted various calculation errors made in the district's productive hourly rate calculations related to both enrollment fee collection and enrollment fee waivers activities.

For the audit period, the district identified multiple district staff members involved in calculating and collecting enrollment fees and waiving student fees activities. The district determined average productive hourly rates for the various reimbursable activities based on the employee classifications claimed. However, we determined that employees in some of the employee classifications claimed did not perform the reimbursable activities. This information is noted specifically in the narratives for Findings 1 through 7. For the employees in classifications that were involved in performing the reimbursable activities, we calculated average productive hourly rates for district staff involved in calculating and collecting enrollment fees and waiving student fees activities.

The district provided salary schedules for district staff involved in calculating and collecting enrollment fees and waiving student fees for the audit period. The allowable salary costs were calculated by using an amount in the middle of the minimum and maximum monthly salary ranges for the employee classifications that performed the reimbursable activities, based on information provided by the district. We multiplied the average salary cost by 12 to determine the average annual salary costs. The district provided the employer-paid benefit rates for FY 2005-06 through FY 2009-10 to calculate allowable benefit costs. The district was unable to provide benefit rate information for fiscal years prior to FY 2005-06. Therefore, we calculated an average benefit rate using employer-paid benefit rate information provided for FY 2005-06 through FY 2009-10 and used this rate for the entire audit period. District representatives indicated that they accepted this methodology for calculating allowable employee benefit costs.

We multiplied the average annual salary costs by the average benefit rate to calculate the average annual salary and benefit costs for the employee classifications involved in calculating and collecting enrollment fees and waiving student fees. We divided the average annual salary and benefit costs by 1,800 productive hours to determine the allowable productive

hourly rates. We added up the total of individual productive hourly rates per activity and divided the amounts by the number of employee classifications to determine the average allowable productive hourly rates.

For the audit period, we compared the calculated average productive hourly rates to the claimed productive hourly rates and determined that productive hourly rates were both overstated and understated for the audit period.

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 (total wages and related benefits divided by productive hours). 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).

The following table summarizes a comparison between the calculated average productive hourly rates versus the allowable average productive hourly rate for enrollment fee collection activities by fiscal year:

Fiscal Year	Enrollment Fee Collection		
	Claimed Average Productive Hourly Rate	Audited Average Productive Hourly Rate	Audit Adjustment
1998-99	\$ 18.29	\$ 22.93	\$ 4.64
1999-2000	18.29	23.15	4.86
2000-01	22.02	20.88	(1.14)
2001-02	20.29	21.31	1.02
2002-03	20.73	21.73	1.00
2003-04	20.99	25.39	4.40
2004-05	21.87	23.98	2.11
2005-06	22.31	22.87	0.56
2006-07	22.40	22.34	(0.06)
2007-08	22.59	17.65	(4.94)
2008-09	23.76	21.76	(2.00)
2009-10	24.61	25.94	1.33

The following table summarizes a comparison between the calculated average productive hourly rates versus the allowable average productive hourly rate for enrollment fee waiver activities by fiscal year:

Fiscal Year	Enrollment Fee Waivers		
	Claimed Average Productive Hourly Rate	Audited Average Productive Hourly Rate	Audit Adjustment
1999-2000	\$ 23.45	\$ 23.49	\$ 0.04
2000-01	24.60	27.39	2.79
2001-02	25.26	27.59	2.33
2002-03	25.99	27.27	1.28
2003-04	22.36	23.35	0.99
2004-05	25.95	25.05	(0.90)
2005-06	29.18	25.41	(3.77)
2006-07	29.43	25.50	(3.93)
2007-08	25.68	27.13	1.45
2008-09	24.46	27.42	2.96
2009-10	24.46	30.82	6.36

Recommendation

We recommend 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 concurs with the finding and recommendation.

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



SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

Where Lifelong Learning Happens

April 17, 2013

Jim L. Spano, Chief
Mandated Cost Audits Bureau
State Controller's Office
Division of Audits
PO Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

San Luis Obispo County Community College District is in receipt of the report dated March 2013. Included in this letter is the District's response to the findings. Please note that our filings for the FY2010-11 and upcoming FY2011-12 Enrollment Fee Collections and Waiver Program incorporated the recommendations from the audit.

District Response to Finding #1

The District concurs and will include one-time activity expenses related to preparing District policies and procedures for the collection of enrollment fees.

District Response to Finding #2

The District concurs and will use actual salary and benefit costs for training District staff on the program procedures for the collection of enrollment fees. The District will not use estimated salary and benefit costs for these activities.

District Response to Finding #3

The District concurs and will take into account the varying levels of workload due to changes in student enrollment from year-to-year and only claim salaries and benefits for employee classifications that performed reimbursable activities.

District Response to Finding #4

The District concurs and will only claim one-time activity expenses of staff training for District staff members who implement the program on the procedures for determining which students are eligible for enrollment fee waivers.

District Response to Finding #5

The District concurs and will only include actual salary and benefit costs related to adopting procedures, recording, and maintaining records related to enrollment fee waivers. The District will not use estimated

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salary and benefit costs for those activities. The District will only include employee classifications that performed the reimbursable activity.

District Response to Finding #6

The District concurs and will compute the costs of waiving student fees using average time allowances to perform the reimbursable activity instead of the percentage of each work day spent on the reimbursable activity.

District Response to Finding #7

The District concurs and will only include actual salary and benefit costs related to reporting the number and amount of BOGG fee waivers. The District will not use estimated salary and benefit costs for those activities. The District will only include employee classifications that performed the reimbursable activity.

District Response to Finding #8

The District concurs and will use the appropriate indirect cost rate.

District Response to Finding #9

The District concurs and will report the applicable offsetting reimbursements for Enrollment Fee Collection and Waivers Program on its mandated cost claims based on information provided by the CCCCO.

District Response to Finding #10

The District concurs and will use actual costs data for the calculation of productive hourly rates for employees involved in calculating and collecting enrollment fees and for employees involved in waiving student fees.

Sincerely,



Toni Sommer

Vice President, Administrative Services

cc: Patrick Mullen, Board of Trustees, President
Gilbert H. Stork, President/Superintendent
Andy Nichols, President, Nichols Consulting

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