

# **LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Revised Audit Report

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

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

*July 1, 1998, through June 30, 2009*



**JOHN CHIANG**  
California State Controller

October 2012



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

October 16, 2012

Steve Veres, President  
Board of Trustees  
Los Angeles Community College District  
770 Wilshire Boulevard  
Los Angeles, CA 90017

Dear Mr. Veres:

The State Controller's Office audited the costs claimed by the Los Angeles Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and *California Code of Regulations*, Title 5, sections 58501-58503, 58611-58613, and 58630) for the period of July 1, 1998, through June 30, 2009.

This revised final audit report supersedes our previous report dated November 3, 2011. We revised the penalty for filing a late claim for fiscal year (FY) 1998-99 through FY 2004-05 from 10% of claimed costs to 10% of allowable costs. As a result, the total penalty decreased by \$1,355,134; from \$1,722,852 to \$367,718.

The district claimed \$28,495,416 (\$30,218,268 less a \$1,722,852 penalty for filing late claims) for the mandated program. Our audit disclosed that \$6,131,604 is allowable (\$6,499,322 less \$367,718 in late filing penalties), and \$22,363,812 is unallowable. The costs are unallowable primarily because the district claimed estimated costs that were not supported by corroborating documentation and understated offsetting savings/reimbursements. The State paid the district \$2,188,535. The State will pay allowable costs claimed that exceed the amount paid, totaling \$3,943,069, contingent upon available appropriations.

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

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

Sincerely,

*Original signed by*

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

JVB/vb

cc: Daniel J. LaVista, Ph.D., Chancellor  
    Los Angeles Community College District  
Jeanette L. Gordon, Chief Financial Officer  
    Los Angeles Community College District  
Christine Atalig, Auditor  
    Fiscal Services Unit  
    California Community Colleges Chancellor's Office  
Thomas Todd, Assistant Program Budget Manager  
    Education Systems Unit  
    Department of Finance  
Jay Lal, Manager  
    Division of Accounting and Reporting  
    State Controller's Office

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Los Angeles Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code Section 76300 and California Code of Regulations, Title 5, Sections 58501-58503, 58611-58613, and 58630) for the period of July 1, 1998, through June 30, 2009.

The district claimed \$28,495,416 (\$30,218,268 less a \$1,722,852 penalty for filing late claims) for the mandated program. Our audit disclosed that \$6,131,604 is allowable (\$6,499,322 less \$367,718 in late filing penalties), and \$22,363,812 is unallowable. The costs are unallowable primarily because the district claimed estimated costs that were not supported by corroborating documentation and understated offsetting savings/reimbursements. The State paid the district \$2,188,535. The State will pay allowable costs claimed that exceed the amount paid, totaling \$3,943,069, contingent upon available appropriations.

## Background

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

The code sections were added and/or amended by:

- Chapters 1, 274 and 1401, Statutes of 1984
- Chapters 920 and 1454, Statutes of 1985
- Chapters 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
- Chapters 8, 66, 67, and 1124, Statutes of 1993
- Chapter 153 and 422, Statutes of 1994
- Chapters 63 and 308, Statutes of 1996
- Chapter 72, Statutes of 1999

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

The CSM found that the following activities are reimbursable:

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

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

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

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Enrollment Fee Collections and Waivers Program for the period of July 1, 1998, through June 30, 2009.

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

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

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

## Conclusion

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

For the audit period, the Los Angeles Community College District claimed \$28,495,416 (\$30,218,268 less a \$1,722,852 penalty for filing late claims) for costs of the Enrollment Fee Collection and Waivers Program. Our audit disclosed that \$6,131,604 is allowable (\$6,499,322 less \$367,718 in late filing penalties), and \$22,363,812 is unallowable.

For the fiscal year (FY) 1998-99 claim, the State paid the district \$169,945 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$233,134 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$63,198, contingent upon available appropriations.

For the FY1999-2000 claim, the State paid the district \$142,548 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$320,201 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$177,653, contingent upon available appropriations.

For the FY 2000-01 claim, the State paid the district \$212,641 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$426,378 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$213,737, contingent upon available appropriations.

For the FY 2001-02 claim, the State paid the district \$352,300 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$582,754 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$230,454, contingent upon available appropriations.

For the FY 2002-03 claim, the State paid the district \$390,437 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$616,979 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$226,542, contingent upon available appropriations.

For the FY 2003-04 claim, the State paid the district \$155,838 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$381,912 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$226,074, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the district \$253,258 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$478,095 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$224,837, contingent upon available appropriations.

For the FY 2005-06, FY 2006-07, and FY 2007-08 claims, the State made no payment to the district. Our audit disclosed that \$2,078,000 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$2,078,000, contingent upon available appropriations.

For the FY 2008-09 claim, the State paid the district \$511,568 from funds specifically appropriated for mandated program claims. Our audit disclosed that \$1,014,142 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$502,574, contingent upon available appropriations.

## **Views of Responsible Official**

We issued a draft audit report on October 12, 2011. Jeanette L. Gordon, Chief Financial Officer, initially responded by letter dated October 28, 2011 (Attachment) requesting an extension of time to respond to the audit findings due to ongoing health issues of the district's mandated cost consultant. Ms. Gordon did not respond directly to any of the audit findings.

We issued a final audit report on November 3, 2011. Subsequently, Ms. Gordon responded to the audit findings via an e-mail message dated January 20, 2012. We responded in a letter dated April 4, 2012.

This revised final report revises the penalty for filing a late claim for FY 1998-99 through FY 2004-05, from 10% of claimed costs to 10% of allowable costs. As a result, the total penalty decreased by \$1,355,134; from \$1,722,852 to \$367,718. We advised Ms. Gordon of the revision via e-mail on August 29 2012. Ms. Gordon responded by e-mail on August 30, 2012, agreeing with the penalty revisions to the report. This revised report also includes the district's January 20, 2012, response and our April 4, 2012 comments.

## **Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

October 16, 2012

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 1998, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 2,285	\$ 2,285	\$ -	
Staff training	9,733	9,733	-	
Calculating and collecting enrollment fees	770,024	376,728	(393,296)	Finding 2
Total direct costs	782,042	388,746	(393,296)	
Indirect costs	312,817	73,978	(238,839)	Finding 7
Total direct and indirect costs	1,094,859	462,724	(632,135)	
Less enrollment fee collection offsets	(203,829)	(203,676)	153	Finding 8
Total enrollment fee collection	891,030	259,048	(631,982)	
Less late filing penalty <sup>3</sup>	(89,103)	(25,905)	63,198	
Total program costs	\$ 801,927	233,143	\$ (568,784)	
Less amount paid by the State <sup>2</sup>		(169,945)		
Allowable costs claimed in excess of (less than) amount paid		\$ 63,198		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 2,336	\$ 2,336	\$ -	
Staff training	9,921	-	(9,921)	Finding 1
Calculating and collecting enrollment fees	897,820	472,233	(425,587)	Finding 2
Total direct costs	910,077	474,569	(435,508)	
Indirect costs	364,031	83,097	(280,934)	Finding 7
Total direct and indirect costs	1,274,108	557,666	(716,442)	
Less enrollment fee collection offsets	(196,041)	(201,887)	(5,846)	Finding 8
Total enrollment fee collection	1,078,067	355,779	(722,288)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	3,386	3,386	-	Finding 3
Staff training	14,108	14,108	-	Finding 4
Adopt procedures, record and maintain records	43,901	-	(43,901)	Finding 5
Waiving student fees	688,943	144,859	(544,084)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	2,692	2,692	-	
Total direct costs	753,030	165,045	(587,985)	
Indirect costs	301,212	28,899	(272,313)	Finding 7
Total direct and indirect costs	1,054,242	193,944	(860,298)	
Less enrollment fee waiver offsets	-	(193,944)	(193,944)	Finding 8
Total enrollment fee waivers	1,054,242	-	(1,054,242)	
Total costs	2,132,309	355,779	(1,776,530)	
Less late filing penalty <sup>3</sup>	(213,231)	(35,578)	177,653	
Total program costs	\$ 1,919,078	320,201	\$ (1,598,877)	
Less amount paid by the State <sup>2</sup>		(142,548)		
Allowable costs claimed in excess of (less than) amount paid		\$ 177,653		

**Revised Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 2,513	\$ 2,513	\$ -	
Staff training	11,557	-	(11,557)	Finding 1
Calculating and collecting enrollment fees	1,197,353	584,309	(613,044)	Finding 2
Total direct costs	1,211,423	586,822	(624,601)	
Indirect costs	484,569	87,202	(397,367)	Finding 7
Total direct and indirect costs	1,695,992	674,024	(1,021,968)	
Less enrollment fee collection offsets	(200,304)	(200,271)	33	Finding 8
Total enrollment fee collection	1,495,688	473,753	(1,021,935)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	3,639	-	(3,639)	Finding 3
Staff training	15,150	-	(15,150)	Finding 4
Adopt procedures, record and maintain records	46,493	-	(46,493)	Finding 5
Waiving student fees	728,570	116,083	(612,487)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	2,882	2,882	-	
Total direct costs	796,734	118,965	(677,769)	
Indirect costs	318,694	17,678	(301,016)	Finding 7
Total direct and indirect costs	1,115,428	136,643	(978,785)	
Less enrollment fee waiver offsets	-	(136,643)	(136,643)	Finding 8
Total enrollment fee waivers	1,115,428	-	(1,115,428)	
Total costs	2,611,116	473,753	(2,137,363)	
Less late filing penalty <sup>3</sup>	(261,112)	(47,375)	213,737	
Total program costs	<u>\$ 2,350,004</u>	426,378	<u>\$ (1,923,626)</u>	
Less amount paid by the State <sup>2</sup>		(212,641)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 213,737</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 2,647	\$ 2,647	\$ -	
Staff training	11,209	-	(11,209)	Finding 1
Calculating and collecting enrollment fees	1,409,841	743,407	(666,434)	Finding 2
Total direct costs	1,423,697	746,054	(677,643)	
Indirect costs	569,478	118,623	(450,855)	Finding 7
Total direct and indirect costs	1,993,175	864,677	(1,128,498)	
Less enrollment fee collection offsets	(216,180)	(217,173)	(993)	Finding 8
Total enrollment fee collection	1,776,995	647,504	(1,129,491)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	3,834	-	(3,834)	Finding 3
Staff training	15,962	-	(15,962)	Finding 4
Adopt procedures, record and maintain records	48,982	-	(48,982)	Finding 5
Waiving student fees	767,500	135,636	(631,864)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	3,036	3,036	-	
Total direct costs	839,314	138,672	(700,642)	
Indirect costs	335,726	22,049	(313,677)	Finding 7
Total direct and indirect costs	1,175,040	160,721	(1,014,319)	
Less enrollment fee waiver offsets		(160,721)	(160,721)	Finding 8
Total enrollment fee waivers	1,175,040	-	(1,175,040)	
Total costs	2,952,035	647,504	(2,304,531)	
Less late filing penalty <sup>3</sup>	(295,204)	(64,750)	230,454	
Total program costs	<u>\$ 2,656,831</u>	582,754	<u>\$ (2,074,077)</u>	
Less amount paid by the State <sup>2</sup>		(352,300)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 230,454</u>		

**Revised Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 2,851	\$ 2,851	\$ -	
Staff training	10,639	-	(10,639)	Finding 1
Calculating and collecting enrollment fees	<u>1,385,254</u>	<u>683,519</u>	<u>(701,735)</u>	Finding 2
Total direct costs	1,398,744	686,370	(712,374)	
Indirect costs	<u>559,498</u>	<u>210,441</u>	<u>(349,057)</u>	Finding 7
Total direct and indirect costs	1,958,242	896,811	(1,061,431)	
Less enrollment fee collection offsets	<u>(219,899)</u>	<u>(211,279)</u>	<u>8,620</u>	Finding 8
Total enrollment fee collection	<u>1,738,343</u>	<u>685,532</u>	<u>(1,052,811)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	3,957	-	(3,957)	Finding 3
Staff training	16,475	-	(16,475)	Finding 4
Adopt procedures, record and maintain records	50,544	-	(50,544)	Finding 5
Waiving student fees	792,041	344,243	(447,798)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	<u>3,133</u>	<u>3,133</u>	<u>-</u>	
Total direct costs	866,150	347,376	(518,774)	
Indirect costs	<u>346,460</u>	<u>106,505</u>	<u>(239,955)</u>	Finding 7
Total direct and indirect costs	1,212,610	453,881	(758,729)	
Less enrollment fee waiver offsets	<u></u>	<u>(453,881)</u>	<u>(453,881)</u>	Finding 8
Total enrollment fee waivers	<u>1,212,610</u>	<u>-</u>	<u>(1,212,610)</u>	
Total costs	2,950,953	685,532	(2,265,421)	
Less late filing penalty <sup>3</sup>	<u>(295,095)</u>	<u>(68,553)</u>	<u>226,542</u>	
Total program costs	<u>\$ 2,655,858</u>	616,979	<u>\$ (2,038,879)</u>	
Less amount paid by the State <sup>2</sup>	<u></u>	<u>(390,437)</u>	<u></u>	
Allowable costs claimed in excess of (less than) amount paid	<u></u>	<u>\$ 226,542</u>	<u></u>	

**Revised Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 2,780	\$ 2,780	\$ -	
Staff training	12,083	-	(12,083)	Finding 1
Calculating and collecting enrollment fees	1,250,690	681,782	(568,908)	Finding 2
Total direct costs	1,265,553	684,562	(580,991)	
Indirect costs	506,221	47,919	(458,302)	Finding 7
Total direct and indirect costs	1,771,774	732,481	(1,039,293)	
Less enrollment fee collection offsets	(299,953)	(308,134)	(8,181)	Finding 8
Total enrollment fee collection	1,471,821	424,347	(1,047,474)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	3,957	-	(3,957)	Finding 3
Staff training	16,475	-	(16,475)	Finding 4
Adopt procedures, record and maintain records	50,991	-	(50,991)	Finding 5
Waiving student fees	792,041	356,918	(435,123)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	3,159	3,159	-	
Total direct costs	866,623	360,077	(506,546)	
Indirect costs	346,649	25,205	(321,444)	Finding 7
Total direct and indirect costs	1,213,272	385,282	(827,990)	
Less enrollment fee waiver offsets	-	(385,282)	(385,282)	Finding 8
Total enrollment fee waivers	1,213,272	-	(1,213,272)	
Total costs	2,685,093	424,347	(2,260,746)	
Less late filing penalty <sup>3</sup>	(268,509)	(42,435)	226,074	
Total program costs	\$ 2,416,584	381,912	\$ (2,034,672)	
Less amount paid by the State <sup>2</sup>		(155,838)		
Allowable costs claimed in excess of (less than) amount paid		\$ 226,074		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 2,732	\$ 2,732	\$ -	
Staff training	12,374	-	(12,374)	Finding 1
Calculating and collecting enrollment fees	1,314,360	696,936	(617,424)	Finding 2
Total direct costs	1,329,466	699,668	(629,798)	
Indirect costs	531,786	204,235	(327,551)	Finding 7
Total direct and indirect costs	1,861,252	903,903	(957,349)	
Less enrollment fee collection offsets	(397,777)	(372,686)	25,091	Finding 8
Total enrollment fee collection	1,463,475	531,217	(932,258)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	4,052	-	(4,052)	Finding 3
Staff training	16,870	-	(16,870)	Finding 4
Adopt procedures, recording and maintain records	52,224	-	(52,224)	Finding 5
Waiving student fees	811,119	384,552	(426,567)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	3,235	3,235	-	
Total direct costs	887,500	387,787	(499,713)	
Indirect costs	355,000	113,196	(241,804)	Finding 7
Total direct and indirect costs	1,242,500	500,983	(741,517)	
Less enrollment fee waivers offsets		(500,983)	(500,983)	Finding 8
Total enrollment fee waivers	1,242,500	-	(1,242,500)	
Total costs	2,705,975	531,217	(2,174,758)	
Less late filing penalty <sup>3</sup>	(270,598)	(53,122)	217,476	
Total program costs	<u>\$ 2,435,377</u>	478,095	<u>\$ (1,957,282)</u>	
Less amount paid by the State <sup>2</sup>		(253,258)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 224,837</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 3,051	\$ 3,051	\$ -	
Staff training	13,064	-	(13,064)	Finding 1
Calculating and collecting enrollment fees	<u>1,383,543</u>	<u>747,530</u>	<u>(636,013)</u>	Finding 2
Total direct costs	1,399,658	750,581	(649,077)	
Indirect costs	<u>559,863</u>	<u>219,324</u>	<u>(340,539)</u>	Finding 7
Total direct and indirect costs	1,959,521	969,905	(989,616)	
Less enrollment fee collection offsets	<u>(434,417)</u>	<u>(406,227)</u>	<u>28,190</u>	Finding 8
Total enrollment fee collection	<u>1,525,104</u>	<u>563,678</u>	<u>(961,426)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	4,304	-	(4,304)	Finding 3
Staff training	17,860	-	(17,860)	Finding 4
Adopt procedures, record and maintain records	55,059	-	(55,059)	Finding 5
Waiving student fees	860,673	449,302	(411,371)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	<u>3,507</u>	<u>3,507</u>	<u>-</u>	
Total direct costs	941,403	452,809	(488,594)	
Indirect costs	<u>376,561</u>	<u>132,313</u>	<u>(244,248)</u>	Finding 7
Total direct and indirect costs	1,317,964	585,122	(732,842)	
Less enrollment fee waiver offsets	<u>-</u>	<u>(585,122)</u>	<u>(585,122)</u>	Finding 8
Total enrollment fee waivers	<u>1,317,964</u>	<u>-</u>	<u>(1,317,964)</u>	
Total costs	2,843,068	563,678	(2,279,390)	
Less late filing penalty	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	
Total program costs	<u>\$ 2,833,068</u>	553,678	<u>\$ (2,279,390)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 553,678</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 3,159	\$ 3,159	\$ -	
Staff training	13,587	-	(13,587)	Finding 1
Calculating and collecting enrollment fees	1,438,475	786,155	(652,320)	Finding 2
Total direct costs	1,455,221	789,314	(665,907)	
Indirect costs	582,088	229,635	(352,453)	Finding 7
Total direct and indirect costs	2,037,309	1,018,949	(1,018,360)	
Less enrollment fee collection offsets	(391,472)	(383,455)	8,017	Finding 8
Total enrollment fee collection	1,645,837	635,494	(1,010,343)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	4,477	-	(4,477)	Finding 3
Staff training	18,579	-	(18,579)	Finding 4
Adopt procedures, record and maintain records	57,366	-	(57,366)	Finding 5
Waiving student fees	895,864	451,394	(444,470)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	3,575	3,575	-	
Total direct costs	979,861	454,969	(524,892)	
Indirect costs	391,945	132,364	(259,581)	Finding 7
Total direct and indirect costs	1,371,806	587,333	(784,473)	
Less enrollment fee waiver offsets	-	(587,333)	(587,333)	Finding 8
Total enrollment fee waivers	1,371,806	-	(1,371,806)	
Total program costs	<u>\$ 3,017,643</u>	635,494	<u>\$ (2,382,149)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 635,494</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 3,425	\$ 3,425	\$ -	
Staff training	14,253	-	(14,253)	Finding 1
Calculating and collecting enrollment fees	1,302,091	973,904	(328,187)	Finding 2
Total direct costs	1,319,769	977,329	(342,440)	
Indirect costs	527,908	279,884	(248,024)	Finding 7
Total direct and indirect costs	1,847,677	1,257,213	(590,464)	
Less enrollment fee collection offsets	(358,385)	(358,385)	-	Finding 8
Total enrollment fee collection	1,489,292	898,828	(590,464)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	4,707	-	(4,707)	Finding 3
Staff training	19,492	-	(19,492)	Finding 4
Adopt procedures, record and maintain records	812,127	-	(812,127)	Finding 5
Waiving student fees	1,771,881	499,873	(1,272,008)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	3,756	3,756	-	
Total direct costs	2,611,963	503,629	(2,108,334)	
Indirect costs	1,044,785	144,228	(900,557)	Finding 7
Total direct and indirect costs	3,656,748	647,857	(3,008,891)	
Less enrollment fee waiver offsets	(1,050,017)	(647,857)	402,160	Finding 8
Total enrollment fee waivers	2,606,731	-	(2,606,731)	
Total costs	4,096,023	898,828	(3,197,195)	
Less late filing penalty	(10,000)	(10,000)	-	
Total program costs	\$ 4,086,023	888,828	\$ (3,197,195)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 888,828		

**Revised Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 3,581	\$ 3,581	\$ -	
Staff training	14,449	-	(14,449)	Finding 1
Calculating and collecting enrollment fees	1,531,346	1,092,520	(438,826)	Finding 2
Total direct costs	1,549,376	1,096,101	(453,275)	
Indirect costs	619,750	312,774	(306,976)	Finding 7
Total direct and indirect costs	2,169,126	1,408,875	(760,251)	
Less enrollment fee collection offsets	(384,733)	(384,733)	-	
Total enrollment fee collection	1,784,393	1,024,142	(760,251)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	4,866	-	(4,866)	Finding 3
Staff training	19,945	-	(19,945)	Finding 4
Adopt procedures, record and maintain records	697,083	-	(697,083)	Finding 5
Waiving student fees	1,517,032	596,300	(920,732)	Finding 6
Reporting BOGG fee waiver data to CCCCCO	3,865	3,865	-	
Total direct costs	2,242,791	600,165	(1,642,626)	
Indirect costs	897,117	171,258	(725,859)	Finding 7
Total direct and indirect costs	3,139,908	771,423	(2,368,485)	
Less enrollment fee waiver offsets	(1,591,278)	(771,423)	819,855	Finding 8
Total enrollment fee waivers	1,548,630	-	(1,548,630)	
Total costs	3,333,023	1,024,142	(2,308,881)	
Less late filing penalty	(10,000)	(10,000)	-	
Total program costs	\$ 3,323,023	1,014,142	\$ (2,308,881)	
Less amount paid by the State		(511,568)		
Allowable costs claimed in excess of (less than) amount paid		\$ 502,574		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<b>Summary: July 1, 1998, through June 30, 2009</b>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare district policies and procedures	\$ 31,360	\$ 31,360	\$ -	
Staff training	132,869	9,733	(123,136)	
Calculating and collecting enrollment fees	<u>13,880,797</u>	<u>7,839,023</u>	<u>(6,041,774)</u>	
Total direct costs	14,045,026	7,880,116	(6,164,910)	
Indirect costs	<u>5,618,009</u>	<u>1,867,112</u>	<u>(3,750,897)</u>	
Total direct and indirect costs	19,663,035	9,747,228	(9,915,807)	
Less enrollment fee collection offsets	<u>(3,302,990)</u>	<u>(3,247,906)</u>	<u>55,084</u>	
Total enrollment fee collection	<u>16,360,045</u>	<u>6,499,322</u>	<u>(9,860,723)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	41,179	3,386	(37,793)	
Staff training	170,916	14,108	(156,808)	
Adopt procedures, record and maintain records	1,914,770	-	(1,914,770)	
Waiving student fees	9,625,664	3,479,160	(6,146,504)	
Reporting BOGG fee waiver data to CCCCCO	<u>32,840</u>	<u>32,840</u>	<u>-</u>	
Total direct costs	11,785,369	3,529,494	(8,255,875)	
Indirect costs	<u>4,714,149</u>	<u>893,695</u>	<u>(3,820,454)</u>	
Total direct and indirect costs	16,499,518	4,423,189	(12,076,329)	
Less enrollment fee waiver offsets	<u>(2,641,295)</u>	<u>(4,423,189)</u>	<u>(1,781,894)</u>	
Total enrollment fee waivers	<u>13,858,223</u>	<u>-</u>	<u>(13,858,223)</u>	
Total costs	30,218,268	6,499,322	(23,718,946)	
Less late filing penalty	<u>(1,722,852)</u>	<u>(367,718)</u>	<u>1,355,134</u>	
Total program costs	<u>\$ 28,495,416</u>	6,131,604	<u>\$ (22,363,812)</u>	
Less amount paid by the State		<u>(2,188,535)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,943,069</u>		

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

<sup>2</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

<sup>3</sup> Government Code section 17561, subdivision (d)(3), allows claimants to file an initial reimbursement claim within one year after the initial filing deadline, subject to a 10% penalty on allowable costs for filing a late claim. Initial reimbursement claims filed after September 30, 2002, were not subject to a maximum penalty. The SCO assesses the penalty on allowable costs that exceed the amount filed by the initial filing deadline. FY 1998-99 through FY 2004-05 claims were initial reimbursement claims filed after the initial filing deadline and after September 30, 2002.

# Findings and Recommendations

## GENERAL COMMENT

An external mandate cost consultant prepared the district's mandate claims for the audit period. Throughout the audit field work, the consultant did not provide any actual cost information supporting the costs claimed. In many instances, the consultant did not provide any related corroborating evidence. Accordingly, we worked with various district representatives during the course of our audit in order to determine the procedures the district followed to perform the reimbursable activities and the average time increments required to perform them. If the district subsequently provides additional documentation supporting actual costs incurred, we will revise the audit results as appropriate, and reissue the final audit report.

## FINDING 1— Unallowable one-time training costs— enrollment fee collection

The district claimed \$132,869 in salaries and benefits during the audit period for the one-time reimbursable activity of training employees (one time per employee) on enrollment fee collection procedures. We determined that \$9,733 is allowable and \$123,136 is unallowable. The costs are unallowable because the district claimed estimated costs and did not provide any actual costs data or corroborating evidence to support actual hours spent by district staff.

The following table summarizes the overstated one-time training costs by fiscal year, related to enrollment fee collection:

Enrollment Fee Collection - Staff Training			
Fiscal Year	Claimed	Allowable	Audit Adjustment
1998-99	\$ 9,733	\$ 9,733	\$ -
1999-2000	9,921	-	(9,921)
2000-01	11,557	-	(11,557)
2001-02	11,209	-	(11,209)
2002-03	10,639	-	(10,639)
2003-04	12,083	-	(12,083)
2004-05	12,374	-	(12,374)
2005-06	13,064	-	(13,064)
2006-07	13,587	-	(13,587)
2007-08	14,253	-	(14,253)
2008-09	14,449	-	(14,449)
Total	<u>\$ 132,869</u>	<u>\$ 9,733</u>	<u>\$ (123,136)</u>

For the first nine years of the audit period, the district's costs were based on the following time increments:

### Admissions and Records:

- 3 hours for the Dean, Student Services
- 12 hours for the Dean, Administration and Records
- 4 hours for the Registrar
- 45 hours for Administration and Records Evaluation Technicians

**Business Office:**

- 95 hours for the Accounting Supervisors
- 49 hours for the Supervising Accounting Technicians
- 100 hours for the Senior Accountants
- 24 hours for the senior cashier

The only variance in costs claimed was due to changes in productive hourly rates for the employee classifications. The district based claimed costs for fiscal year (FY) 2007-08 and FY 2008-09 on 332 hours spent training “Various Admissions and Records, and Business Office Staff.”

We interviewed district staff about training for the enrollment fee collection process. The district provided no support that it has any formal training program for new staff members performing the mandated activities. District representatives stated that new staff members are paired with experienced staff members until they are familiar with the district’s processes. The district provided no documentation supporting this statement. Further, the district did not identify the individual employees who received training, the amount of time required to train new staff, or who provided the training.

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

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source 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 or time logs, sign-in sheets, invoices, and receipts.

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

The parameters and guidelines (section IV.A.2–Reimbursable Activities–Enrollment–One-Time Activities–Staff Training (One-Time per Employee)) state that costs are reimbursable for “Training district staff that implements the program on the procedures for the collection of enrollment fees.”

The parameters and guidelines (section V–Claim Preparation and Submission–Salaries and Benefits) also state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities *by name* [emphasis added], 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 establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### District’s Response

The audit report states that the District claimed \$132,869, of which \$123,136 is unallowable in salaries and benefits during the audit period for one-time reimbursable activity of training employees.

The audit report disallowed all claimed training time for employees for fiscal year 1999-2000 and only allowed a claim of \$9,733 for fiscal year 1998-99 based on reasons that the District did not provide any actual costs data or corroborating evidence to support actual hours spent by district staff. There should be no blanket disallowance of staff’s training time. It should be considered that over the eleven years, there would be changes in the content of the training, policies and procedures, system changes, and increases in the number of students that LACCD serves at each of its nine colleges and training activities would be necessary over the years.

The District did provide the calculations and the methodology to support the claimed costs based on the minimum training hours for related Admissions and Records and Business Office staff.

### SCO’s Comment

We accept that district staff received training during the audit period on the district’s procedures for collecting enrollment fees from students. However, the calculations and methodology the district provided to support the claimed costs were all based on estimates of time. In addition, the same estimates of time were used to claim costs incurred during the first eight years of the audit period, followed by a new set of estimates used to claim costs for the final two years of the audit period. The parameters and guidelines for the mandated program require that costs be supported by source documents created at or near the time that the event or activity in question took place. The district did not provide such documentation. Further, the district did not identify the names of employees who received training, the names of the district employees who provided the training, and the date of training, as required by the parameters and guidelines.

The parameters and guidelines also state that the reimbursable activity of training staff for procedures involved with collecting enrollment fees is reimbursable on a *one-time basis* per employee. Based on the manner in which costs were claimed, we were unable to determine which employees received training. Nevertheless, we allowed costs claimed in the first year of the audit period.

In order for the costs to be eligible for reimbursement beyond the first year of the audit period, the district will need to identify the following for each year of the audit period:

- The names of the individual employees who received training,
- The names of the district employees who provided the training,
- The productive hourly rates in effect for these employees,
- The date of training, and
- The duration of the training.

Based on discussions that we held with Business Office management staff at various campuses during audit fieldwork, we concluded that the district does not have a district-wide training program in place for enrollment fee collection activities. In addition, the campuses that we visited did not have any formal training program of their own in place for these activities. If the district can identify which employees were trained and which employees provided training during the audit period, it may be able to determine how long such training lasted based upon the training that currently is being provided to staff.

**FINDING 2—  
Unallowable ongoing  
costs—calculating and  
collecting enrollment  
fees**

The district claimed \$13,880,797 in salaries and benefits during the audit period for ongoing costs of calculating and collecting student enrollment fees. We determined that \$7,839,023 is allowable and \$6,041,774 is unallowable. The unallowable costs occurred because the district estimated the amount of time required to perform the reimbursable activities. In addition, we noted variations in the number of students used in the district’s calculations based on student enrollment data reported to us by the California Community College Chancellor’s Office (CCCCO).

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

Fiscal Year	Claimed	Allowable	Audit Adjustment
1998-99	\$ 770,024	\$ 376,728	\$ (393,296)
1999-2000	897,820	472,233	(425,587)
2000-01	1,197,353	584,309	(613,044)
2001-02	1,409,841	743,407	(666,434)
2002-03	1,385,254	683,519	(701,735)
2003-04	1,250,690	681,782	(568,908)
2004-05	1,314,360	696,936	(617,424)
2005-06	1,383,543	747,530	(636,013)
2006-07	1,438,475	786,155	(652,320)
2007-08	1,302,091	973,904	(328,187)
2008-09	1,531,346	1,092,520	(438,826)
Total	<u>\$ 13,880,797</u>	<u>\$ 7,839,023</u>	<u>\$ (6,041,774)</u>

*Claimed Costs*

For the first nine fiscal years of the audit period, the district claimed costs based on the following number of hours spent by district staff to perform the reimbursable activities:

## FY 1998-99

- 5,743 hours for Accounting Supervisors
- 447 hours for Senior Accountants
- 29,992 hours for Accounting Technicians

## FY 1999-2000

- 5,961 hours for Accounting Supervisor
- 447 hours for Senior Accountants
- 34,682 hours for Accounting Technicians

## FY 2000-01

- 7,892 hours for Accounting Supervisors
- 447 hours for Senior Accountants
- 43,093 hours for Accounting Technicians

## FY 2001-02

- 8,751 hours for Accounting Supervisors
- 447 hours for Senior Accountants
- 48,374 hours for Accounting Technicians

## FY 2002-03

- 8,443 hours for Accounting Supervisors
- 447 hours for Senior Accountants
- 45,837 for Accounting Technicians

## FY 2003-04

- 7,391 hours for Accounting Supervisors
- 447 hours for Senior Accountants
- 38,737 hours for Accounting Technicians

## FY 2004-05 through FY 2006-07 (each fiscal year)

- 7,643 hours for Accounting Supervisors
- 447 hours for Senior Accountants
- 39,662 hours for Accounting Technicians

The time claimed for FY 1998-99 through FY 2006-07 was based on estimates of time spent by district staff to perform the reimbursable activities. The district did not provide any actual cost data or corroborating evidence to support actual hours spent by district staff.

For FY 2007-08 and FY 2008-09, the district's claims were based on the following time increments to perform the reimbursable activities:

- 3 minutes for referencing student accounts
- 1.7 minutes for calculating total enrollment fees to be collected
- 1.3 minutes for answering student questions regarding enrollment fee collection
- 1 minute for updating written and computer records for enrollment fee information
- 2.7 for minutes for collecting delinquent enrollment fees or turning over accounts to collection agencies
- 1.3 minutes for providing refund of enrollment fees to students establishing a fee waiver after enrollment.

#### *Calculating and Collecting Enrollment Fees*

The district claimed costs for FY 2007-08 and FY 2008-09 based on seven minutes required for Business Office staff to perform the first four reimbursable activities noted above. These activities are described in the parameters and guidelines as:

- Referencing student accounts and records to determine course workload, status of payment, and eligibility for fee waiver. Printing a list of enrolled courses. (Activity 1)
- 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. Preparing a receipt. (Activity 2)
- Answering student's questions regarding enrollment fee information and providing a copy to the student. Copying and filing enrollment fee documentation. (Activity 3)
- 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)

Based on interviews and observations that we conducted at the Business Offices of four district campus sites, we determined that the seven-minute time increment being claimed for FY 2007-08 and FY 2008-09 for these four activities is reasonable.

For reimbursable activities 1, 3, and 4 for FY 2007-08 and FY 2008-09, the district applied this time increment to the entire student population by term to calculate claimed costs, which included credited non-resident and special admit students (students who attend a community college while in high school pursuant to Education Code section 76001). The parameters and guidelines do not allow reimbursement for non-resident and special admit students under this mandate. The district also included students who paid their fees via its on-line or telephone payment systems.

For reimbursable activity 2 for FY 2007-08 and FY 2008-09, the district subtracted total students who were granted Board of Governor Grant (BOGG) fee waivers from total student enrollment. The district based the number used for waivers granted on internal information obtained from each campus site.

For activities 1 and 3, we computed allowable costs by excluding non-residents and special part-time students from total student enrollment. We computed reimbursable costs based on district student enrollment and BOGG fee waiver information obtained from the CCCCCO. The CCCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCCO identifies the district's enrollment based on the CCCCCO's MIS data element STD 7, codes A through G. The CCCCCO eliminates any duplicate students based on their Social Security numbers. We also excluded the number of students who paid their enrollment fees using either the district's automated telephone system or the district's on-line system. We obtained the number of applicable students who paid fees on-line or via the telephone from a report that was prepared by district staff.

For activities 2 and 4, we deducted the number of students who were exempt from paying enrollment fees because they received BOGG 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.

For the audit period, the district claimed costs totaling \$10,888,741 for the four reimbursable activities described above. We applied the time increments claimed by the district for activities 1 through 4 based on the student population statistics described above and determined that \$7,632,671 was allowable.

#### *Collecting Delinquent Fees*

For FY 2007-08 and FY 2008-09, the district claimed costs totaling \$174,973 based on 2.7 minutes to perform this activity, multiplied by the number of delinquent fees processed. The number of delinquent fees processed was based on internal district information obtained from each campus site. We determined that costs totaling \$203,809 were allowable (\$122,506 for FY 2007-08 and \$81,303 for FY 2008-09). Allowable costs were understated by \$28,836 due to understated employee benefit rates that the district used in its calculations of productive hourly rates.

However, the district did not support allowable costs for this activity for FY 1998-99 through FY 2006-07. For these years, the district claimed costs totaling \$143,299 based on 447 hours spent each year by Senior Accountants. The district did not provide any actual cost data and did not identify or support the number of delinquent fees processed for FY 1998-99 through FY 2006-07. It is not reasonable to claim the same number of hours every year over a nine-year period for an activity that varies based on the number of delinquent fees processed.

### *Providing Enrollment Fee Refunds*

The district claimed FY 2007-08 and FY 2008-09 costs totaling \$2,178 based on 1.3 minutes to process student refund checks. This time increment is significantly understated, based on our understanding of the district's process to perform this activity, which we obtained through discussions with Business Office staff and management. We determined that costs totaling \$2,543 were allowable. Costs were understated by \$365 due to errors in productive hourly rates as noted above.

However, the district did not provide documentation supporting allowable costs for this activity for FY 1997-98 through FY 2006-07. For these years, the district claimed costs totaling \$2,678,606 based on 67,110 hours spent by Accounting Supervisors. The district did not provide any support for the amount of time claimed. Further, the district did not provide any statistics for the number of enrollment fee refunds that were processed for students who were approved for a BOGG fee waiver after they had paid their enrollment fees.

### *Productive Hourly Rates*

We made minor adjustments to the blended productive hourly rates used in the district's claims for FY 1998-99 through FY 2006-07. We based our blended productive hourly rate calculations on actual salary and benefit information provided by district staff during the course of the audit. For FY 2007-08 and FY 2008-09, we noted that the district understated the employee benefit rates that were used in its calculations of productive hourly rates. For both years, employee benefit rates of 21% were used. We used employee benefit rates of 39.676% for FY 2007-08 and 40.178% for FY 2008-09 in our calculations of productive hourly rates based on actual cost information provided by the district.

### *Mathematical Error*

In its claim for FY 1998-99, the district understated costs claimed by \$7,000 due to a mathematical error made on its claim form.

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—Claim Preparation and Submission—Salaries and Benefits) also 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.”

### Recommendation

We recommend that the district establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### District's Response

The audit report identifies [sic] errors when the district estimated claimed amounts that included nonresidents, special part-time students and students who received BOGGs. District agrees with the Controller that the District has incorrectly included these students in the calculation. However, the District is concerned that the audit uses the MIS statistics data from the State Chancellor's Office vs. the District's utilized information available from the District records. This could be the major source of the audited variances that significantly reduced the allowable amount from \$10,888,741 to \$7,632,671 for the ongoing collecting of enrollment fees activities. Variances would result from the students who enrolled and paid enrollment fees, but thereafter left the District and thus these students may not appear later in the State Chancellor's data as an enrolled student. Another source of a variance would be the time spent on unapproved waiver applications. There are more applications for waivers than waivers granted, which is not reflected by in the State Chancellor's data.

### SCO's Comment

The student enrollment information that we received from the California Community College Chancellor's Office (CCCCO) was based on data that the district reported. In our audit report, we identified the specific data elements that the CCCCCO used to prepare its "SR 0814 report" that provided us with net student enrollment by year and by term.

The district stated that variances would result from students who enrolled and paid enrollment fees, but later left the district and thus may not appear in the CCCCCO's data. The district did not provide any documentation supporting the number of students who paid enrollment fees and later left the district, and whether these students were included or excluded in the information it reported to the CCCCCO. The district also stated that another source of a variance would be the time spent on unapproved waiver applications. However, the time spent on unapproved waiver applications is not relevant to the calculation of reimbursable collections costs identified in this finding.

**FINDING 3—  
Unallowable one-time costs—preparing district policies and procedures for the enrollment fee waivers**

The district claimed \$41,179 in salaries and benefits during the audit period for the one-time activity of preparing district policies and procedures for enrollment fee waivers. We determined that \$3,386 is allowable and \$37,793 is unallowable. The unallowable costs occurred because the district claimed estimated costs and did not provide any corroborating evidence to support actual hours spent by district staff or the specific one-time activities incurred.

The following table summarizes the overstated one-time costs related to preparing district policies and procedures for enrollment fee waivers by fiscal year:

Fiscal Year	Claimed	Allowable	Audit Adjustment
1998-99	\$ -	\$ -	\$ -
1999-2000	3,386	3,386	-
2000-01	3,639	-	(3,639)
2001-02	3,834	-	(3,834)
2002-03	3,957	-	(3,957)
2003-04	3,957	-	(3,957)
2004-05	4,052	-	(4,052)
2005-06	4,304	-	(4,304)
2006-07	4,477	-	(4,477)
2007-08	4,707	-	(4,707)
2008-09	4,866	-	(4,866)
Total	<u>\$ 41,179</u>	<u>\$ 3,386</u>	<u>\$ (37,793)</u>

For the first eight fiscal years of the audit period, the district costs were based on the following amounts of time claimed for Financial Aid Office staff to perform the reimbursable activity:

- 17 hours for the Dean, Financial Aid
- 6 hours for the Financial Aid Manager
- 68 hours for the Financial Aid Supervisors

The only variance in costs claimed was due to changes in productive hourly rates for the classification of employees claimed. The district’s claims for FY 2007-08 and FY 2008-09 noted that costs were claimed based on 91 hours spent by “various Financial Aid Staff.”

The district did not provide any support for changes in district policies and/or procedures that were required due to changes to state law during the audit period, or the specific procedures that were adopted relating to this activity. As the parameters and guidelines state that costs are reimbursable on a one-time basis for this activity, we allowed costs claimed for FY 1998-99 to create the initial district policies and procedures. The district did not support costs claimed in the following years.

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 IV.B.1–Reimbursable Activities–Enrollment Fee Waiver–One-Time Activities–Policies and Procedures) state that costs are reimbursable to “Prepare District Policies and Procedures for determining which students are eligible for waiver of enrollment fee.” In addition, the CSM Final Staff Analysis for the proposed parameters and guidelines states that updates to the policies and procedures subject to changes in the community college district’s policies rather than state law would not be reimbursable.

The parameters and guidelines (section V–Claim Preparation and Submission–Salaries and Benefits) also state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities *by name* [emphasis added], 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 establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District’s Response

The audit report disallowed all claimed training time for one-time costs for preparing district policies and procedures for fiscal year 1999-2000 and only allowed claims of \$3,386 for fiscal year 1998-99 based on reasons that the District did not provide any actual costs data or corroborating evidence to support actual hours spent by district staff. There should be no blanket disallowance. It should be considered that over the eleven years, there would be changes in the student fee, policies and procedures, system changes, and increases in the number of students that LACCD serves at each of its nine colleges and the training activities would be necessary over the years.

The District did provide the calculation and methodology to support the claimed costs based on the reimbursable hours for related financial aid deans, managers and staff.

#### SCO’s Comment

The calculations and methodology that the district used to support claimed costs were based on estimates. In addition, the same estimates of time were used to claim costs incurred during the first eight years of the audit period. The parameters and guidelines for the mandated program require that costs be supported by source documents created at or near the time that the event or activity in question took place. The district did not provide such documentation.

The parameters and guidelines also state that the reimbursable activity of preparing policies and procedures for determining which students are eligible for waiver of the enrollment fees is a *one-time* activity. We allowed costs in the first year of the audit period. In order for costs to be reimbursable beyond the first year of the audit period, the district would first need to identify any changes made to the State’s requirements for determining BOGG fee waiver eligibility that required the district to update its policies and procedures. If the district can support this assertion, then we may be able to work further with district representatives on ways to determine whether mandated costs were incurred.

**FINDING 4—  
Unallowable one-time  
training costs—  
enrollment fee  
waivers**

The district claimed \$170,916 in salaries and benefits during the audit period for one-time training of employees on enrollment fee waivers procedures. We determined that \$14,108 is allowable and \$156,808 is unallowable. The costs are unallowable because the district claimed estimated costs and did not provide any actual costs data or corroborating evidence to support costs claimed.

The following table summarizes the overstated one-time training costs related to enrollment fee waivers by fiscal year:

Fiscal Year	Claimed	Allowable	Audit Adjustment
1998-99	\$ -	\$ -	\$ -
1999-2000	14,108	14,108	-
2000-01	15,150	-	(15,150)
2001-02	15,962	-	(15,962)
2002-03	16,475	-	(16,475)
2003-04	16,475	-	(16,475)
2004-05	16,870	-	(16,870)
2005-06	17,860	-	(17,860)
2006-07	18,579	-	(18,579)
2007-08	19,492	-	(19,492)
2008-09	19,945	-	(19,945)
<b>Total</b>	<b>\$ 170,916</b>	<b>\$ 14,108</b>	<b>\$ (156,808)</b>

For the first eight fiscal years of the audit, the district’s costs were claimed as follows:

Financial Aid Office:

- 44 hours for the Dean, Financial Aid
- 13 hours for the Financial Aid Managers
- 321 hours for the Financial Aid Supervisors
- 34 hours for the Financial Aid Technicians

The only variance in costs claimed resulted from changes in productive hourly rates for the claimed classifications. The district’s claim for FY 2007-08 and FY 2008-09 noted that costs were claimed based on 412 hours spent by “various Financial Aid Staff,” for the activity “Time spent by staff to conduct or attend training on BOGG waivers of enrollment fees.”

The parameters and guidelines state that this activity is reimbursable on a one-time basis per employee. However, the district did not provide any support for costs claimed or that it related to one-time training provided to district employees. Further, the district did not identify the individual employees who received training, the amount of time required to train new staff, or who provided the training.

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 IV.B.1.b–Reimbursable Activities–Enrollment Fee Waiver–One-Time Activities–Staff Training (One-Time per Employee) state that costs are reimbursable for “Training District Staff that implement the program on the procedures for determining which students are eligible for waiver of enrollment fee.”

The parameters and guidelines (section V–Claim Preparation and Submission – Salaries and Benefits) also state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities *by name* [emphasis added], 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 establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District’s Response

The audit report disallowed all claimed training costs for enrollment fee waivers for fiscal year 1999-2000 and only allowed claims of \$14,108 for fiscal year 1998-99 based on reasons that the District did not provide any actual costs data or corroborating evidence to support actual hours spent by district staff. There should be no blanket disallowance. It should be considered that the district college financial aid offices provide various training workshops and staff training on financial aid applications including enrollment fee waiver policies and procedures. The District did provide the calculation and the methodology to support the claimed costs based on the reimbursable hours for related financial aid deans, managers and staff.

### SCO's Comment

We accept that district staff received training during the audit period to implement the program based on the district's procedures for determining which students are eligible for waiver of the enrollment fee. However, the calculations and methodology provided to support the claimed costs were all based on estimates of time. In addition, the same estimates of time were used to claim costs incurred during the first eight years of the audit period, followed by a new set of estimates used to claim costs for the final two years of the audit period. The parameters and guidelines for the mandated program require that claimed costs be supported by source documents created at or near the time that the event or activity in question took place. The district did not provide such documentation. In addition, the district did not identify the names of employees who received training, the names of the district employees who provided the training, or the date of training, as required by the parameters and guidelines.

The parameters and guidelines also state that the reimbursable activity of training staff for procedures involved with determining which students are eligible for waiver of the enrollment fee is reimbursable on a *one-time basis* per employee. Based on the manner in which costs were claimed, we were unable to determine which employees received training. Nevertheless, we allowed costs claimed in the first year of the audit period.

In order for the costs to be eligible for reimbursement beyond the first year of the audit period, the district would need to identify the following for each year of the audit period:

- The names of the individual employees who received training,
- The names of the district employees who provided the training,
- The productive hourly rates in effect for these employees,
- The date of training, and
- How long the training lasted.

Based on discussions that we held with Financial Aid Office management staff at various campuses during audit fieldwork, we noted that the district does not have a district-wide training program for enrollment fee waiver activities. In addition, the campuses that we visited did not have any formal training program of their own in place for these activities. If the district can identify which employees were trained and which employees provided training during the audit period, it may be able to determine how long such training lasted based upon the training that the district currently provides to staff.

**FINDING 5—  
Unallowable costs—  
adopting procedures,  
and recording and  
maintaining records**

The district claimed \$1,914,770 salaries and benefits during the audit period for adopting procedures, and recording and maintaining records. We determined that the entire amount is unallowable. The costs are unallowable because the district estimated costs and did not provide any corroborating evidence to support actual hours spent by district staff.

The following table summarizes the overstated costs related to adopting procedures, recording, and maintaining records by fiscal year.

Fiscal Year	Claimed	Allowable	Audit Adjustment
1998-99	\$ -	\$ -	\$ -
1999-2000	43,901	-	(43,901)
2000-01	46,493	-	(46,493)
2001-02	48,982	-	(48,982)
2002-03	50,544	-	(50,544)
2003-04	50,991	-	(50,991)
2004-05	52,224	-	(52,224)
2005-06	55,059	-	(55,059)
2006-07	57,366	-	(57,366)
2007-08	812,127	-	(812,127)
2008-09	697,083	-	(697,083)
Total	<u>\$ 1,914,770</u>	<u>\$ -</u>	<u>\$ (1,914,770)</u>

The district claimed costs for Business Office and Financial Aid Office staff to perform the reimbursable activities as follows:

Business Office—FY 1999-2000 through FY 2006-07 (each fiscal year):

- 74 hours for Senior Accountants
- 74 hours for Accounting Technicians
- 174 hours for Accounting Assistants

Financial Aid Office—FY 1999-2000 through FY 2006-07 (each fiscal year):

- 50 hours for Financial Aid Managers
- 50 hours for Financial Aid Supervisors
- 655 hours for Financial Aid Technicians
- 945 hours for Financial Aid Assistants

The district claimed 27,372 hours for FY 2007-08 and 23,455 hours for FY 2008-09 for time spent by various Financial Aid and Business Office staff for the reimbursable activity.

The parameters and guidelines allow reimbursement for the following activities:

- Adopting procedures that will document all financial assistance provided on behalf of students pursuant to chapter 9 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; and

- 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.

Financial Aid staff did not correlate the description of the activities per the parameters and guidelines to any activities that the district performed, or the specific procedures that the district adopted relating to this activity. Staff members further stated that the activity most likely consisted of MIS data that the district uploads to the CCCCCO data base in October each year and that the activity is an automated process.

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–Claim Preparation and Submission–Salaries and Benefits) also state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities *by name* [emphasis added], 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 establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District's Response

The audit report disallowed all \$1,914,770 claimed on costs-adopting procedures based on reasons that the District did not provide any actual costs data or corroborating evidence to support actual hours spent by district staff. There should be no blanket disallowance. District agrees with the Controller finding that the District did not describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

#### SCO's Comment

We determined that the costs claimed were unallowable because the district did not explain what specific activities, if any, it performed that correspond to the reimbursable activities described in the parameters and guidelines. In its response, the district acknowledges that it did not describe the activities performed or the hours devoted to performing them. However, the district states its belief that not all costs should be unallowable. We disagree. We were not able to determine any reimbursable costs, as the district did not describe what specific activities were performed that are reimbursable per the parameters and guidelines, which employees performed them, and the length of time that it took to perform them.

**FINDING 6—  
Unallowable ongoing  
costs—waiving  
student fees**

The district claimed \$9,625,664 in salaries and benefits for waiving student fees 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 for all fiscal years of the audit period. We determined that \$3,479,160 is allowable and \$6,146,504 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities. In addition, we noted variations in the number of students used in the district’s calculations based on data reported to us by the CCCCCO.

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

Fiscal Year	Claimed	Allowable	Audit Adjustment
1999-2000	\$ 688,943	\$ 144,859	\$ (544,084)
2000-01	728,570	116,083	(612,487)
2001-02	767,500	135,636	(631,864)
2002-03	792,041	344,243	(447,798)
2003-04	792,041	356,918	(435,123)
2004-05	811,119	384,552	(426,567)
2005-06	860,673	449,302	(411,371)
2006-07	895,864	451,394	(444,470)
2007-08	1,771,881	499,873	(1,272,008)
2008-09	1,517,032	596,300	(920,732)
<b>Total</b>	<b>\$ 9,625,664</b>	<b>\$ 3,479,160</b>	<b>\$ (6,146,504)</b>

The district claimed costs during the audit period to perform the following activities:

- Receiving waiver applications
- Answering student’s questions regarding enrollment fee waivers
- Evaluating waiver application and verifying documentation
- Notifying students of additional documentation requirements, and
- Reviewing and evaluating information for denials appealed by students

For FY 1999-2000 through FY 2006-07, the district claimed time spent by its staff per year as follows:

- 67 hours for the classification of Dean, Financial Aid
- 117 hours for the classification of Financial Aid Manager (FY 2005-06 and FY 2006-07, 177 hours claimed)
- 22,917 hours for the classification of Financial Aid Technician
- 7,420 hours for the classification of Financial Aid Assistant

However, the calculation was not based on the number of students actually applying for fee waivers each year; it was based on estimates of time spent by district personnel performing the reimbursable activities.

For FY 2007-08 and FY 2008-09, the district claimed costs based on 25.9 minutes spent by its staff as follows:

- 2.8 minutes – receiving waiver applications
- 5.6 minutes – answering student questions
- 5.4 minutes – evaluating student waiver applications
- 9.5 minutes – processing incomplete applications
- 2.6 minutes – reviewing denied waiver applications

The district did not provide any documentation supporting how it calculated these time increments or how the number of eligible students were determined. Based on discussions that we had with representatives of the district's Financial Aid Offices and observations that we made at district campus sites, the time increments claimed may be significantly overstated.

#### *Fee Waiver Application Process–On-line*

Many of the district's students go on-line to the U.S. Department of Education's (USDOE) website and use its system to complete the Free Application for Federal Student Aid (FAFSA) and apply for financial aid. While filling out the information on the USDOE website, the student indicates the name of the college that he/she will be attending. Subsequently, the student's information is downloaded to the district and is uploaded into the district's computer system. The information downloaded from USDOE populates the data fields within the district's system. If the student qualifies for a BOGG fee waiver, the district sends a postcard to notify him/her. The process of sending out postcards to students is handled at the district office. However, the district did not claim any costs for performing this reimbursable activity.

#### *Processing Fee Waiver Applications*

The district claimed \$5,614,160 to receive student applications and \$1,319,003 to evaluate student fee waiver applications (a total of \$6,933,163). We determined that \$1,009,640 is allowable and \$5,923,523 is unallowable. The district's claims were based on 8.4 minutes spent by district staff to receive and evaluate students' fee waiver applications. These time increments were applied to all of the district's students who received BOGG fee waivers based on internal district information that was supplied by each campus site.

For students who appear in person at one of the district's Financial Aid Offices to apply for a BOGG fee waiver, we observed that it takes a clerk approximately 2.5 to 3 minutes to receive and evaluate a student waiver application. Managers at district Financial Aid Offices concurred that this time increment is consistent with the amount of time spent performing the reimbursable activities. To calculate allowable costs, we applied 1.5 minutes for receiving waiver applications and 1.5 minutes to evaluate waiver applications. We applied these time increments to 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. We adjusted the CCCCCO information for students that processed

their fee waiver applications using the USDOE system. We obtained the number of students who processed their fee waiver applications online from a report that was prepared by district staff.

#### *Answering Student's Questions*

The district claimed \$2,594,286 for answering student's questions during the audit period. We determined that \$1,863,745 is allowable and \$730,541 is unallowable. The district's claims were based on 5.6 minutes to perform this activity. The district did not show how it determined the amount of time required to answer student questions.

We observed that it takes a clerk approximately 2 to 3 minutes to answer students' questions related to the fee waiver process. Managers at district Financial Aid Offices concurred that this time increment is consistent with the amount of time spent performing the reimbursable activity. To calculate allowable costs, we applied 3 minutes for each student who received a BOGG fee waiver, based on data provided to us by the CCCCCO.

#### *Incomplete Applications*

The district claimed \$101,266 for this activity during the audit period. We determined that none of the costs are allowable. The district's claims were based on 9.5 minutes to perform this activity. The district did not support how it determined the number of incomplete applications filed or the amount of time required to perform this activity.

For applications containing missing or incomplete information, most of the district's Financial Aid Offices did not retain the student's application in a pending file to be accessed when the student returned. Instead, the student was advised of what additional information was needed and told to return to Financial Aid to resume processing of the application. The application form was then returned to the student. However, based on discussions with Financial Aid Managers, some campus sites retain incomplete applications for students.

#### *Denied Applications*

The district claimed \$123 for this activity. We determined that \$157 is allowable. Based on discussions with Financial Aid Office Managers, only some of the campus sites retain copies of denied applications. In addition, the retained copies are scanned into students' records and filed.

#### *Copying and Filing Approved Applications*

The district did not claim any costs for this activity. However, we calculated allowable costs totaling \$605,618.

We noted that approved BOGG fee waiver applications are scanned into students' records and then filed. We worked with district Financial Aid staff and determined that it takes approximately 2 minutes to perform this activity. Accordingly, we determined allowable costs based on 2 minutes spent for all district students who had their fee waiver

applications processed manually at a district Financial Aid Office. We obtained the number of eligible students from a report prepared by district staff.

#### *Mathematical Error*

The district's claim for FY 2004-05 was understated by \$3,174 due to a mathematical error made when preparing the claim forms.

#### *Productive Hourly Rates*

We made minor adjustments to the productive hourly rates used in the district's claims for FY 1998-99 through FY 2006-07. Our productive hourly rate calculations were based on actual salary and benefit information provided by district staff during the course of the audit. For FY 2007-08 and FY 2008-09, we noted that the district understated the employee benefit rates that it used in its calculations of productive hourly rates. For both years, the district used an employee benefit rate of 21%. We used employee benefit rates of 39.676% for FY 2007-08 and 40.178% for FY 2008-09, in our calculations of productive hourly rates, based on actual cost information the district provided.

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–Claim Preparation and Submission–Salaries and Benefits) also state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities *by name* [emphasis added], 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 establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### District's Response

The audit report disallowed \$6,146,504 of the \$9,625,664 claim amounts on ongoing costs-waiving student fees. Major unallowable costs were from the district's claim of \$6,933,190 in which the Controller disallowed \$5,923,523. The unallowable costs were calculated based the methodology utilized by the Controller's auditors based few observations and applied to all of the students who received BOGG. The auditor's recalculation caused significantly lower allowable amounts. We question the method used from one or few observations being applied to the calculation. Is the auditor's work based on a sufficient amount of data to support their method or verification?

### SCO's Comment

The methodology that the district used to claim costs was based on estimates of time to perform the reimbursable activities. We noted in our audit report that the district's claims included no variance in the number of hours spent by various employee classifications to compute costs incurred during the first eight years of the audit period. Based on information that we obtained from the CCCCCO, the number of BOGG fee waiver applications processed by district Financial Aid Office staff for students each year varied during that time period. Time spent by district staff to perform the reimbursable activities should have corresponded to the number of fee waiver applications processed each year.

For the last two years of the audit period, our audit report notes that the district claimed costs based on very specific time increments spent by district staff to perform five reimbursable activities. We requested from the district's consultant the analysis that was performed to determine these time increments. However, neither the consultant nor the district provided any support. We subsequently discovered an analysis of the reimbursable activities that the consultant performed at another community college district. The results of that analysis, based on surveys performed at the other district, matched exactly with the time increments used to compute allowable costs in this district's claims for FY 2007-08 and FY 2008-09. The district did not respond to our inquiries related to the matching time increments. In addition, the parameters and guidelines for the mandated program require that costs be supported by source documents created at or near the time that the event or activity in question took place. The district did not provide such documentation.

The district's statement that the SCO used its methodology to determine unallowable costs is incorrect. In the absence of any actual cost data provided by the district to determine the extent that reimbursable activities actually were performed, we devised a methodology to reasonably determine allowable costs and discussed the methodology with the district.

Our methodology included discussions of the reimbursable activities performed with Financial Aid Office management staff at various campus sites followed by observations of the reimbursable activities actually being performed by district staff. Over a two-day period, we observed 123 students served by Financial Aid Office staff at the district's L.A. West campus and its Pierce College campus. These students needed assistance with all manner of financial aid. Out of the 123 students we observed, 52 required assistance with BOGG fee waivers. Accordingly, we recorded the amount of time required by district staff to perform the reimbursable activities of receiving waiver applications from students, evaluating applications and verifying documents, and answering student questions regarding enrollment fee waivers. Based on our observations, we observed that district staff spent an average of three minutes answering students' questions and an additional three minutes to receive and evaluate fee waiver applications. We discussed our results of these observations with Financial Aid Office management staff, who concurred that our conclusions of the amount of time required to perform these activities seemed correct.

In its current response, the district is now questioning the methodology that we used to compute allowable costs as well as expressing doubts about whether we had sufficient data to arrive at a conclusion. We determined that we had sufficient data on which to base our conclusions. However, if the district wishes to perform a time study of its own to determine the amount of time required to perform the reimbursable activities, we will review the results to determine whether adjustments to the audit findings are warranted.

The district's response did not acknowledge our disclosure of reimbursable activities that it did not include in its claims. In our final audit report, we identified that the district sent postcards to students who qualified for BOGG fee waivers based on information that was downloaded into the district's computer system from the U.S. Department of Education after these students completed their Free Application for Federal Student Aid applications. However, the district did not claim any costs for performing this reimbursable activity and we did not perform any analysis of costs that may be allowable. Therefore, the district may want to perform an analysis of costs incurred to perform this activity during the audit period.

In addition, our final audit report identified \$580,441 in allowable costs that the district did not claim for the activities of copying and filing approved BOGG fee waiver applications. We based allowable costs on observations of the reimbursable activities being performed at various Financial Aid Offices, as well as on discussions with the district's Financial Aid Office management staff and by applying the time required to the number of approved applications processed.

**FINDING 7—  
Unallowable indirect  
costs**

The district claimed \$10,332,158 for indirect costs during the audit period. We determined that \$2,760,807 is allowable and \$7,571,351 is unallowable. We determined that \$5,768,314 is unallowable due to the unallowable salaries and benefits identifies in Findings 1 through 6.

Unallowable indirect costs totaling \$1,057,308 were the result of indirect cost rate errors for FY 1998-99 through FY 2003-04. We noted that all of the district's claims for those years based indirect costs on a federally approved rate of 40%. However, documentation from the U.S. Department of Health and Human Services (the approving agency) showed that it approved the 40% rate only for FY 2004-05 through FY 2008-09 of the audit period.

In addition, the U.S. Department of Health and Human Services approved the 40% rate to be applied to an allocation base of direct salaries and wages including vacation, holiday, sick pay, and other paid absences, but excluding all other fringe benefits. However, the district applied the 40% indirect cost rate to salaries and benefits. As a result, \$745,729 is unallowable due to the application of the 40% indirect cost rate to employee benefits.

For FY 1998-99 through FY 2002-03, we recalculated the indirect costs using the SCO FAM-29C methodology. We calculated the allowable indirect costs rates each year by using the information contained in the California Community College Annual Financial Budget Report Expenditures by activity report (CCFS-311). Our calculations revealed that the district overstated its indirect cost rates for FY 1998-99 through FY 2002-03.

For FY 2003-04, we applied a 7% default indirect cost rate to allowable salaries. We requested the CCFS-311 for FY 2004-05, which contains actual expenditure information for FY 2003-04. However, the district did not respond to our request.

The following table summarizes the overstated indirect cost rate adjustments.

<u>Fiscal Year</u>	<u>Claimed</u>	<u>Allowable</u>	<u>Adjustment</u>
1998-99	40.00%	19.03%	-20.97%
1999-2000	40.00%	17.51%	-22.49%
2000-01	40.00%	14.86%	-25.14%
2001-02	40.00%	15.90%	-24.10%
2002-03	40.00%	30.66%	-9.34%
2003-04	40.00%	7.00%	-33.00%
2004-05	40.00%	40.00%	0.00%
2005-06	40.00%	40.00%	0.00%
2006-07	40.00%	40.00%	0.00%
2007-08	40.00%	40.00%	0.00%
2008-09	40.00%	40.00%	0.00%

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

<u>Fiscal Year</u>	<u>Enrollment Fee Collection</u>					
	<u>Allowable Salaries</u>	<u>Allowable Salaries and Benefits</u>	<u>Allowable Indirect Cost Rate</u>	<u>Allowable Indirect Costs</u>	<u>Claimed Indirect Costs</u>	<u>Audit Adjustment</u>
1998-99		\$ 388,746	19.03%	\$ 73,978	\$ 312,817	\$ (238,839)
1999-2000		474,569	17.51%	83,097	364,031	(280,934)
2000-01		586,822	14.86%	87,202	484,569	(397,367)
2001-02		746,054	15.90%	118,623	569,478	(450,855)
2002-03		686,370	30.66%	210,441	559,498	(349,057)
2003-04		684,562	7.00%	47,919	506,221	(458,302)
2004-05	\$ 510,587		40.00%	204,235	531,786	(327,551)
2005-06	548,310		40.00%	219,324	559,863	(340,539)
2006-07	574,088		40.00%	229,635	582,088	(352,453)
2007-08	699,711		40.00%	279,884	527,908	(248,024)
2008-09	781,935		40.00%	312,774	619,750	(306,976)
				<u>\$ 1,867,112</u>	<u>\$ 5,618,009</u>	<u>\$ (3,750,897)</u>

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

Fiscal Year	Enrollment Fee Waivers					
	Allowable Salaries	Allowable Salaries and Benefits	Allowable Indirect Cost Rate	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment
1999-2000		\$ 165,045	17.51%	\$ 28,899	\$ 301,212	\$ (272,313)
2000-01		118,965	14.86%	17,678	318,694	(301,016)
2001-02		138,672	15.90%	22,049	335,726	(313,677)
2002-03		347,376	30.66%	106,505	346,460	(239,955)
2003-04		360,077	7.00%	25,205	346,649	(321,444)
2004-05	\$ 282,990		40.00%	113,196	355,000	(241,804)
2005-06	330,783		40.00%	132,313	376,561	(244,248)
2006-07	330,911		40.00%	132,364	391,945	(259,581)
2007-08	360,569		40.00%	144,228	1,044,785	(900,557)
2008-09	428,145		40.00%	171,258	897,117	(725,859)
				<u>\$ 893,695</u>	<u>\$ 4,714,149</u>	<u>\$ (3,820,454)</u>

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

#### Recommendation

We recommend that the district claim indirect costs based on an indirect cost rate computed in accordance with the parameters and guidelines. In addition, we recommend that the district ensure that it applies its indirect cost rate to the applicable indirect cost base.

#### District’s Response

The audit report disallowed \$7,571,351 of the \$10,332,158 claimed amounts on indirect costs during the audit period. The audit report allows the 40% indirect cost rates applied to the calculation for fiscal years 2004-05 to 2008-09. However, the auditors use significantly lower rates based on the SCO FAM-29C methodology for previous years in which the district did not have the federal approved indirect cost rate on file. The audit report does not state that the district’s calculations using the 40% indirect cost rate are unreasonable. There are no regulations or pertinent generally accepted methods for the calculation. It is just a matter of professional judgment. ***Another major variance resulted in the large unallowable amount is the unallowable salaries and benefits from Finding 1 through 6 which the District does not agree with the Controller findings.***

#### SCO’s Comment

In its response, the district indicates that our audit report did not state that the district’s use of the 40% indirect cost rate claimed is unreasonable. The district also states that “There are no regulations or pertinent generally accepted methods for the calculation. It is just a matter of professional judgment.” This statement is incorrect. The parameters and guidelines for the mandated program (section V.B – Claim Preparation and Submission – Indirect Costs) state the following:

Indirect costs are costs that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs include: (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs, and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

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 Educational Institutions;" (2) the rate calculated on State Controller's Form Fam-29C; or (3) a 7% indirect cost rate.

In our audit report, we noted that the district claimed indirect costs for FY 1998-99 through FY 2002-03 based on a federally-approved rate of 40%. However, the U.S. Department of Health and Human Services (the approving agency) confirmed that it only approved the 40% rate for FY 2004-05 through FY 2008-09. Therefore, indirect costs claimed based on OMB Circular A-21 principles that were not federally approved is unreasonable and inconsistent with the requirements contained in the parameters and guidelines.

The district also points out in its response that the indirect cost rates we calculated using the SCO FAM-29C methodology were lower than the 40% rate that it used to claim indirect costs. However, the FAM-29C rates and the OMB Circular A-21 rates are not comparable because they are not calculated or applied using the same direct cost base. The OMB Circular A-21 rate is based solely on salaries and wages while the FAM-29C rate is based on salaries/wages and benefits. In addition, we were unable to calculate a rate based on the FAM-29C methodology for FY 2003-04 because the district did not provide us with its CCFS-311 report for that year. Accordingly, we computed allowable indirect costs for that year using the 7% rate option allowed by the parameters and guidelines.

We concur that the major variance between claimed and allowable indirect costs was a direct result of the unallowable costs identified in audit Findings 1 through 6. However, the district will need to provide additional supporting documentation for those findings, before an audit adjustment for indirect costs can be considered.

**FINDING 8—  
Overstated and understated offsetting savings and reimbursements**

The district claimed offsetting revenues totaling \$3,302,990 for enrollment fee collection and \$2,641,295 for enrollment fee waivers. We determined that offsetting revenues for fee collection were overstated by \$55,084 and offsetting revenues for fee waivers were understated by \$1,781,894.

*Enrollment Fee Collection*

For the audit period, the district claimed offsetting revenues totaling \$3,302,990 for the enrollment fees with 2% offsets. We obtained a report from the CCCCCO that identified 2% offsets paid to the district totaling \$3,247,906. Consequently, the district overstated offsetting revenues by \$55,084.

The following table summarizes the overstated enrollment fee collection offsetting revenues by fiscal year:

Enrollment Fee Collection Offsetting Revenues				
Fiscal Year	Allowable Direct and Related Indirect Costs	Offsetting Revenues Claimed	Actual Offsetting Revenues	Audit Adjustment
1998-99	\$ 462,724	\$ 203,829	\$ 203,676	\$ 153
1999-2000	557,666	196,041	201,887	(5,846)
2000-01	674,024	200,304	200,271	33
2001-02	864,677	216,180	217,173	(993)
2002-03	896,811	219,899	211,279	8,620
2003-04	732,481	299,953	308,134	(8,181)
2004-05	903,903	397,777	372,686	25,091
2005-06	969,905	434,417	406,227	28,190
2006-07	1,018,949	391,472	383,455	8,017
2007-08	1,257,213	358,385	358,385	-
2008-09	1,408,875	384,733	384,733	-
<b>Total</b>	<b>\$ 9,747,228</b>	<b>\$ 3,302,990</b>	<b>\$ 3,247,906</b>	<b>\$ 55,084</b>

*Enrollment Fee Waivers*

For the audit period, the district claimed offsetting revenues totaling \$2,641,295 for enrollment fee waivers. However, we obtained a report from the CCCCCO that identified the enrollment fee waivers offsets paid to the district totaling \$14,984,019. For the purpose of determining applicable revenue offsets, we limited the offset amount to allowable enrollment fee waivers costs (inclusive of related indirect costs) for each year of the audit period.

The following table summarizes the understated offsetting enrollment fee waivers offsetting revenues by fiscal year:

Enrollment Fee Waivers Offsetting Revenues						
Fiscal Year	Allowable Direct and Related Indirect Costs	Offsetting Revenues Claimed	Actual Offsetting Revenues	Actual Revenues Over Claimed Revenues	Offsetting Revenues Applicable to Audit	Audit Adjustment
1999-2000	\$ 193,944	\$ -	\$ 886,656	\$ (886,656)	(193,944)	(193,944)
2000-01	136,643	-	1,015,856	(1,015,856)	(136,643)	(136,643)
2001-02	160,721	-	979,553	(979,553)	(160,721)	(160,721)
2002-03	453,881	-	1,080,274	(1,080,274)	(453,881)	(453,881)
2003-04	385,282	-	1,334,056	(1,334,056)	(385,282)	(385,282)
2004-05	500,983	-	2,100,221	(2,100,221)	(500,983)	(500,983)
2005-06	585,122	-	1,878,119	(1,878,119)	(585,122)	(585,122)
2006-07	587,333	-	1,973,875	(1,973,875)	(587,333)	(587,333)
2007-08	647,857	1,050,017	1,937,864	(887,847)	(647,857)	402,160
2008-09	771,423	1,591,278	1,797,545	(206,267)	(771,423)	819,855
Total	<u>\$ 4,423,189</u>	<u>\$ 2,641,295</u>	<u>\$ 14,984,019</u>	<u>\$(12,342,724)</u>	<u>\$(4,423,189)</u>	<u>\$ (1,781,894)</u>

Since we limited the application of offsetting revenues to allowable direct and indirect costs, offsetting revenues received exceeded allowable costs by \$10,560,830. This means that any excess offsetting revenues applicable for any fiscal year of the audit period, as identified in the table below, will be applied to any additional allowable direct and indirect costs identified for that year's enrollment fee waivers.

The following table summarizes the portion of the unreported actual offsetting revenues that exceeded allowable costs by fiscal year:

Fiscal Year	Actual Offsetting Revenues	Allowable Direct and Related Indirect Costs	Unused Portion of Revenues
1999-2000	\$ (886,656)	\$ 193,944	\$ (692,712)
2000-01	(1,015,856)	136,643	(879,213)
2001-02	(979,553)	160,721	(818,832)
2002-03	(1,080,274)	453,881	(626,393)
2003-04	(1,334,056)	385,282	(948,774)
2004-05	(2,100,221)	500,983	(1,599,238)
2005-06	(1,878,119)	585,122	(1,292,997)
2006-07	(1,973,875)	587,333	(1,386,542)
2007-08	(1,937,864)	647,857	(1,290,007)
2008-09	<u>(1,797,545)</u>	<u>771,423</u>	<u>(1,026,122)</u>
Total	<u>\$ (14,984,019)</u>	<u>\$ 4,423,189</u>	<u>\$ (10,560,830)</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 Waiver Program:

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

July 1, 1999 to July 4, 2000:

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

Beginning July 5, 2000:

- For low-income students (as defined), or recipient of public assistance (as defined) or dependent or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived (as defined):
  - An offset identified in Education Code section 76300, subdivision (m), that requires the Community College Board of Governors, from funds in the annual budget act, to allocate to community colleges two (2%) of the fees waived, under subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents of California National Guard soldiers killed in the line of duty as defined] of section 76300;
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined) for whom fees are waived:
  - Requires the Board of Governors to allocate from funds in the annual State Budget Act ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or California National Guard soldiers killed in the line of duty as defined].

- Any budget augmentation received under the Board Financial Assistance Program Administrative Allowance, or any other state budget augmentation received for administering the fee waiver program.

### Recommendation

We recommend that the district report all 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 audit report indicated that offsetting revenues for fee collections were overstated by \$55,184 and offsetting revenues for fee waivers were understated by \$1,781,894. The District concurs with the auditor's that the District should report all applicable offsetting reimbursements for the enrollment fee collections and Waivers program on its mandated cost claims. The District failed to report offsetting revenue sources for fiscal years 1999-2000 through 2006-07.

### SCO's Comment

The district concurs that it failed to report offsetting revenue sources for FY 1999-2000 through FY 2006-07. We limited the application of offsetting revenues to allowable costs for both enrollment fee collection activities and enrollment fee waivers activities. As a result, unapplied offsetting revenues totaled \$10,682,883 for enrollment fee waiver activities. Our audit report identified the individual amounts of unused offsetting revenues by fiscal year. This means that additional allowable costs identified by the district for enrollment fee waiver activities will have to exceed the amount of unused revenue offsets for each year of the audit period before there is an increase in total allowable costs in excess of the amount paid for the audit period as a whole.

## **GENERAL COMMENT**

The district's response included comments related to documentation it provided in support of claimed costs.

### District's Response

In conclusion, we believe that in some cases your findings are based on your subjective interpretation as to what qualifies as supporting documentation. As you see in our responses to the individual findings, we continue to dispute your allegations in several areas. However, we do acknowledge at least a couple of areas where we did not have the appropriate data and inadvertently over looked the requirement to reduce some of our costs by certain revenues that were received.

There are several areas where the SCO indicates the District "did not provide any corroborating evidence to support" and we beg to differ that the evidence was not provided, we assert the SCO chose not to accept the supporting documentation that was provided.

The District feels it is important to have these responses to the audit added to the final report while we consider the filing of an Incorrect Reduction Claim with the Commission on State Mandates.

#### SCO's Comment

The district states in its response that “your findings are based on your subjective interpretation as to what qualifies as supporting documentation.” We disagree. The parameters and guidelines (section IV– Reimbursable Activities) contain three paragraphs of explanatory material describing the kind of supporting documentation that is required for costs to be eligible for reimbursement. This information is sufficiently detailed and defines the terms “actual costs,” “source documents,” and “corroborating documents.” Our findings concerning the lack of adequate documentation are based on the requirements contained in this section of the parameters and guidelines. As noted in our audit report, the district’s claims were prepared by an external mandated cost consultant. However, the consultant did not follow the documentation requirements contained in the parameters and guidelines. For all cost components of the mandated program, the consultant provided corroborating documents instead of source documents to support the district’s claims. The parameters and guidelines state that “corroborating documents cannot be substituted for source documents.”

However, in recognition of the fact that reimbursable activities were performed by the district during the audit period, we attempted to derive actual cost information upon which to base allowable costs. The actual cost information that we determined was based primarily on observations of reimbursable activities being performed at various district campus locations. As previously noted, if the district provides documentation supporting additional reimbursable costs, we will review it to determine whether adjustments to the audit findings are warranted.

**Attachment 1—  
District's Response to  
October 12, 2011, Draft Audit Report**

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LOS ANGELES COMMUNITY COLLEGE DISTRICT

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OFFICE OF THE CHIEF FINANCIAL OFFICER / TREASURER  
JEANETTE L. GORDON

October 28, 2011

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

**RE: Enrollment Fee Collection and Waiver Program  
July 1, 1998, through June 30, 2009**

This is Los Angeles Community College District's official request for an extension to the October 28, 2011 deadline for a response to the draft audit report. This extension is requested because our mandated Cost consultant, Cheryl Miller, has been in the hospital twice for a total of nine days since our last exit conference and has not been able to find the supporting data that we indicated in the exit conference that we would provide to your office. As a matter of fact she was just released this last time on Wednesday night, October 26, 2011.

Ms. Miller expects to be able to find the data and communicate with your office the first week in November. We are therefore requesting an extension to avoid the publishing of such an adverse audit report at this time. We are confident that the supporting documentation as listed below is available and can be presented to you sometime next week:

Confirmation of Federal Indirect Cost Rate,  
List of number of new trainers, change in procedures  
Detail to BOGG waivers, etc.

If we are unable to provide the documentation prior to your mandatory issue date, it is our understanding that you will put a note in the final report within the General Comment section explaining what is happening with the audit and once additional documentation is provided you will revise and reissue the final audit report as appropriate. Your consideration is appreciated.

Sincerely,



Jeanette L. Gordon  
Chief Financial Officer/Treasurer

c: Daniel LaVista  
Jack K. Rahmey  
Jim Venneman  
Cheryl Miller

**Attachment 2—  
District's Response to  
November 3, 2011, Final Audit Report**

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**Spano, Jim**

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**From:** Gordon, Jeanette L. [Gordonjl@email.laccd.edu]  
**Sent:** Friday, January 20, 2012 05:44 PM  
**To:** Spano, Jim  
**Cc:** Venneman, Jim; Rahmey, Jack; LaVista, Daniel J.  
**Subject:** Mandated Cost Claim for Enrollment Fee Collections and Waivers  
**Attachments:** Mandated Costs audit response (2).doc

The attached letter is in response to the final audit report dated November 3, 2011 for the years 1998-99 through 2007-08. Even though not as timely as we would have preferred it provides responses to each of the findings prepared by staff as we have not been successful in having the consultant provide her responses since her health has continued to deteriorate. We request that you file this response with the audit document. Please contact me if you have any questions. <<Mandated Costs audit response (2).doc>>

*Jeanette L. Gordon*

*Chief Financial Officer/Treasurer*

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

RE: Enrollment Fee Collection and Waivers  
FY 1998-99 through 2007-08  
Los Angeles Community College District

Dear Mr. Spano:

This letter is the response of the Los Angeles Community College District (LACCD) to the final audit report dated November 3, 2011, received by email on November 3, 2011 for the above referenced program and fiscal years transmitted by the letter from Jeffrey V. Brownfield, Chief, division of Audits, State Controller's Office.

The LACCD hired a professional consultant to prepare the Enrollment Fee mandated costs claims as we did not have adequate staff available to undertake this massive task. This was a new mandate that allowed us to go back several years in filing claims. The district relied heavily on the consultant's expertise and experience in filing these claims and even when questioned during the process we were assured that the methodology utilized to support the claims was approved and acceptable by the State Mandate Office.

It is unfortunate for the district that the consultant was not available to accompany the SCO auditors when they visited the colleges to ensure that they talked to the appropriate staff that understood what they were looking for because if the wrong person was attempting to respond to something they could not understand would lead to their conclusion that the documentation did not support the claim. We believe that this is the case in several instances.

Following are the specific responses to each of the findings:

**FINDING 1** - The audit report states that the District claimed \$132,869, of which \$123,136 is unallowable in

salaries and benefits during the audit period for one-time reimbursable activity of training employees.

**Response:**

The audit report disallowed all claimed training time for employees for fiscal year 1999-2000 and only allowed a claim of \$9,733 for fiscal year 1998-99 based on reasons that the District did not provide any actual costs data or corroborating evidence to support actual hours spent by district staff. There should be no blanket disallowance of staff's training time. It should be considered that over the eleven years, there would be changes in the content of the training, policies and procedures, system changes, and increases in the number of students that LACCD serves at each of its nine colleges and training activities would be necessary over the years.

The District did provide the calculations and the methodology to support the claimed costs based on the minimum training hours for related Admissions and Records and Business Office staff.

**FINDING 2 - Unallowable ongoing costs-calculating and collecting enrollment fees**

**Response:**

The audit report identifies errors when the district estimated claimed amounts that included nonresidents, special part-time students and students who received BOGGs. District agrees with the Controller that the District has incorrectly included these students in the calculation. However, the District is concerned that the audit uses the MIS statistics data from the State Chancellor's Office vs. the District's utilized information available from the District records. This could be the major source of the audited variances that significantly reduced the allowable amount from \$10,888,741 to \$7,632,671 for the ongoing collecting of enrollment fees activities. Variances would result from the students who enrolled and paid enrollment fees, but thereafter left the District and thus these students may not appear later in the State Chancellor's data as an enrolled student. Another source of a variance would be the time spent on unapproved waiver applications. There are more applications for waivers than waivers granted, which is not reflected by in the State Chancellor's data.

**FINDING 3 - Unallowable one-time costs-preparing district policies and procedures for the enrollment fee waivers**

**Response:**

The audit report disallowed all claimed training time for one-time costs for preparing district policies and procedures for fiscal year 1999-2000 and only allowed claims of \$3,386 for fiscal year 1998-99 based on reasons that the District did not provide any actual costs data or corroborating evidence to support actual hours spent by district staff. There should be no blanket disallowance. It should be considered that over the eleven years, there would be changes in the student fee, policies and procedures, system changes, and increases in the number of students that LACCD serves at each of its nine colleges and the training activities would be necessary over the years.

The District did provide the calculation and methodology to support the claimed costs based on the reimbursable hours for related financial aid deans, managers and staff.

**FINDING 4 - Unallowable one-time training costs-enrollment fee waivers**

**Response:**

The audit report disallowed all claimed training costs for enrollment fee waivers for fiscal year 1999-2000 and only allowed claims of \$14,108 for fiscal year 1998-99 based on reasons that the District did not provide any actual costs data or corroborating evidence to support actual hours spent by district staff. There should be no blanket disallowance. It should be considered that the district college financial aid offices provide various training workshops and staff training on financial aid applications including enrollment fee waiver policies and procedures. The District did provide the calculation and the methodology to support the claimed costs based on the reimbursable hours for related financial aid deans, managers and staff.

**FINDING 5 - Unallowable costs-adopting procedures, recording, and maintaining records**

**Response:**

The audit report disallowed all \$1,914,770 claimed on costs-adopting procedures based on reasons that the District did not provide any actual costs data or

corroborating evidence to support actual hours spent by district staff. There should be no blanket disallowance. District agrees with the Controller finding that the District did not describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

**FINDING 6-** Unallowable ongoing costs-waiving student fees

**Response:**

The audit report disallowed \$6,146,504 of the \$9,625,664 claim amounts on ongoing costs-waiving student fees. Major unallowable costs were from the district's claim of \$6,933,190 in which the Controller disallowed \$5,923,523. The unallowable costs were calculated based the methodology utilized by the Controller's auditors based few observations and applied to all of the students who received BOGG. The auditor's recalculation caused significantly lower allowable amounts. We question the method used from one or few observations being applied to the calculation. Is the auditor's work based on a sufficient amount of data to support their method or verification?

**FINDING 7-** Unallowable Indirect Costs

**Response:**

The audit report disallowed \$7,571,351 of the \$10,332,158 claimed amounts on indirect costs during the audit period. The audit report allows the 40% indirect cost rates applied to the calculation for fiscal years 2004-05 to 2008-09. However, the auditors use significantly lower rates based on the SCO FAM-29C methodology for previous years in which the district did not have the federal approved indirect cost rate on file. The audit report does not state that the district's calculations using the 40% indirect cost rate are unreasonable. There are no regulations or pertinent generally accepted methods for the calculation. It is just a matter of professional judgment. ***Another major variance resulted in the large unallowable amount is the unallowable salaries and benefits from Finding 1 through 6 which the District does not agree with the Controller findings.***

**FINDING 8-** Overstated and Understated Offsetting savings and reimbursements

Response:

The audit report indicated that offsetting revenues for fee collections were overstated by \$55,184 and offsetting revenues for fee waivers were understated by \$1,781,894. The District concurs with the auditor's that the District should report all applicable offsetting reimbursements for the enrollment fee collections and Waivers program on its mandated cost claims. The District failed to report offsetting revenue sources for fiscal years 1999-2000 through 2006-07

In conclusion, we believe that in some cases your findings are based on your subjective interpretation as to what qualifies as supporting documentation. As you see in our responses to the individual findings, we continue to dispute your allegations in several areas. However, we do acknowledge at least a couple of areas where we did not have the appropriate data and inadvertently over looked the requirement to reduce some of our costs by certain revenues that were received.

There are several areas where the SCO indicates the District "did not provide any corroborating evidence to support" and we beg to differ that the evidence was not provided, we assert the SCO chose not to accept the supporting documentation that was provided.

The District feels it is important to have these responses to the audit added to the final report while we consider the filing of an Incorrect Reduction Claim with the Commission on State Mandates.

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