

# **EL CAMINO COMMUNITY COLLEGE DISTRICT**

Audit Report

## **MINIMUM CONDITIONS FOR STATE AID PROGRAM**

California Education Code sections 66010.2, 66010.7, 66721.5, 66731, 66732, 66736, 66738, 66740, 66742, 70902, 78015, and 78016 as added and/or amended, and Title 5, California Code of Regulations, section 53203, et seq.

*July 1, 2001, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

December 2019



**BETTY T. YEE**  
California State Controller

December 2, 2019

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Dena P. Maloney, Ed.D., Superintendent/President  
El Camino Community College District  
16007 Crenshaw Boulevard  
Torrance, CA 90506

Dear Dr. Maloney:

The State Controller's Office (SCO) audited the costs claimed by El Camino Community College District for the legislatively mandated Minimum Conditions for State Aid Program for the period of July 1, 2001, through June 30, 2012.

The district claimed \$43,849,646 for costs of the mandated program. Our audit found that \$854,170 is allowable and \$42,995,476 is unallowable. The costs are unallowable because the district claimed unallowable salaries and benefits, overstated materials and supplies costs, overstated indirect costs, and understated offsetting reimbursements. The State paid the district \$8,908,678.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the district of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

JLS/as

cc: Jeffrey Hinshaw, Business Manager  
Fiscal Services  
El Camino Community College District  
Marie Yatman, Accounting Technician II  
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El Camino Community College District  
Christian Osmeña, Vice Chancellor  
College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
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State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by El Camino Community College District for the legislatively mandated Minimum Conditions for State Aid Program for the period of July 1, 2001, through June 30, 2012.

The district claimed \$43,849,646 for costs of the mandated program. Our audit found that \$854,170 is allowable and \$42,995,476 is unallowable. The costs are unallowable because the district claimed unallowable salaries and benefits, overstated materials and supplies costs, overstated indirect costs, and understated offsetting reimbursements. The State paid the district \$8,908,678.

## Background

California Education Code sections 66010.2, 66010.7, 66721.5, 66731, 66732, 66736, 66738, 66740, 66742, 70902, 78015, and 78016, and Title 5, California Code of Regulations, section 53203, et seq. address the standards for the formation and basic operation of the California Community Colleges.

The sections were added and/or amended by:

- Chapter 973, Statutes of 1988;
- Chapter 1188 and 1198, Statutes of 1991;
- Chapter 365, Statutes of 1998; and
- Chapter 187, Statutes of 2000.

On May 26, 2011, the Commission on State Mandates (Commission) adopted a statement of decision finding that the test claim statutes and regulations impose a partially reimbursable state-mandated program upon community college districts within the meaning of article XIII B, section 6 of the California Constitution and Government Code (GC) section 17514. The Commission separated the activities found to be reimbursable into the following seven program areas:

- Participation in district and college governance
- Transfer centers in community colleges
- Vocational education
- Standards of scholarship
- Curriculum
- Degrees and certificates
- Open courses

The program's parameters and guidelines establish the state mandate and define the reimbursable criteria. The Commission adopted the parameters and guidelines on April 19, 2013. In compliance with GC section 17558, the SCO issues claiming instructions to assist community college districts in claiming mandated program reimbursable costs.

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

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Minimum Conditions for State Aid Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The audit period was July 1, 2001, through June 30, 2012.

To achieve our objective, we:

- Reviewed the annual mandated cost claims filed by the district for the audit period and identified the material cost components of each claim as salaries and benefits, materials and supplies costs, indirect costs, and offsetting revenues or reimbursements. Determined whether there were any errors or unusual or unexpected variances from year to year. Reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key district staff, and discussed the claim preparation process with district staff to determine what information was obtained, who obtained it, and how it was used;
- Reviewed all supporting time documents related to counseling and counseling support staff costs claimed for the audit period. The district did not provide source documents to support the actual hours worked. Instead, the district provided corroborating documents showing estimated staff time (in percentages) for each fiscal year of the audit period;
- Reviewed all class schedules and college catalogs to ensure that the correct number of pages were claimed for reimbursement under each reimbursable activity (i.e., transfer centers, standards of scholarship, curriculum, degrees and certificates, and open courses);
- Traced total printing costs for the class schedules and college catalogs to supporting documentation for each semester and fiscal year of the audit period. However, the district did not provide supporting documentation for summer 2004, summer 2005, fall 2005, and summer 2006 class schedules. The district also did not provide supporting documentation for fiscal year (FY) 2001-02 and FY 2004-05 expenditures related to college catalogs;
- Reviewed all indirect cost rates claimed and recalculated the rates using the Controller's methodology (FAM-29C) for FY 2007-08 through FY 2011-12. For the remaining fiscal years of the audit period, we used the audited rates from the district's Health Fee Elimination Program. The district incorrectly applied its FAM-29C rate to salaries and benefits, rather than total direct costs (salaries and benefits, and materials and supplies) for FY 2001-02 through FY 2006-07; and
- Reviewed potential sources of offsetting revenues and reimbursements for the audit period. We inquired with district staff and reviewed single audit reports (with accompanying financial statements) for other sources of funding.

GC sections 12410, 17558.5, and 17561 provide the legal authority to conduct this audit. We conducted this performance 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the district's financial statements.

## **Conclusion**

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We found that the district claimed unsupported and ineligible costs, and costs that were funded by other sources, as quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

For the audit period, El Camino Community College District claimed \$43,849,646 for costs of the legislatively mandated Minimum Conditions for State Aid Program. Our audit found that \$854,170 is allowable and \$42,995,476 is unallowable. The payment information is as follows:

- For the FY 2001-02 through FY 2003-04 claims, we found that \$287,005 is allowable. The State paid the district \$8,908,678.
- For the FY 2004-05 through FY 2011-12 claims, we found that \$567,165 is allowable. The State made no payments to the district. The State will pay \$567,165, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the district of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

## **Follow-up on Prior Audit Findings**

We have not previously conducted an audit of the district's legislatively mandated Minimum Conditions for State Aid Program.

## **Views of Responsible Officials**

We issued a draft audit report on September 25, 2019. Dena P. Maloney, Ed.D., Superintendent/President, responded via email on October 11, 2019, with an attached letter (Attachment), agreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This audit report is solely for the information and use of El Camino 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 final audit report, which is a matter of public record and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

December 2, 2019

## Schedule— Summary of Program Costs July 1, 2001, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 1,065,070	\$ -	\$ (1,065,070)	
Standards of scholarship	889,132	-	(889,132)	
Curriculum	261,666	-	(261,666)	
Open courses	91,718	-	(91,718)	
Subtotal, salaries and benefits	<u>2,307,586</u>	<u>-</u>	<u>(2,307,586)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	3,092	3,092	-	
Transfer centers	60,035	-	(60,035)	
Standards of scholarship	3,308	-	(3,308)	
Curriculum	91,949	88,110	(3,839)	
Degrees and certificates	238	-	(238)	
Open courses	7,302	-	(7,302)	
Subtotal, materials and supplies	<u>165,924</u>	<u>91,202</u>	<u>(74,722)</u>	Finding 2
Total direct costs	2,473,510	91,202	(2,382,308)	
Indirect costs	836,269	12,923	(823,346)	Finding 3
Total program costs	<u>\$ 3,309,779</u>	104,125	<u>\$ (3,205,654)</u>	
Less amount paid by the State <sup>3</sup>		(3,258,851)		
Amount paid in excess of allowable costs claimed		<u>\$ (3,154,726)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 995,485	\$ -	\$ (995,485)	
Standards of scholarship	831,041	-	(831,041)	
Curriculum	244,570	-	(244,570)	
Open courses	85,726	-	(85,726)	
Subtotal, salaries and benefits	<u>2,156,822</u>	<u>-</u>	<u>(2,156,822)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	3,204	3,204	-	
Transfer centers	89,391	-	(89,391)	
Standards of scholarship	2,775	186	(2,589)	
Curriculum	96,720	98,512	1,792	
Degrees and certificates	284	233	(51)	
Open courses	9,001	8,872	(129)	
Subtotal, materials and supplies	<u>201,375</u>	<u>111,007</u>	<u>(90,368)</u>	Finding 2
Total direct costs	2,358,197	111,007	(2,247,190)	
Indirect costs	655,243	17,040	(638,203)	Finding 3
Total program costs	<u>\$ 3,013,440</u>	128,047	<u>\$ (2,885,393)</u>	
Less amount paid by the State <sup>3</sup>		(2,981,023)		
Amount paid in excess of allowable costs claimed		<u>\$ (2,852,976)</u>		

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 930,064	\$ -	\$ (930,064)	
Standards of scholarship	776,427	-	(776,427)	
Curriculum	228,497	-	(228,497)	
Open courses	80,092	-	(80,092)	
Subtotal, salaries and benefits	<u>2,015,080</u>	-	<u>(2,015,080)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	3,142	3,142	-	
Transfer centers	43,046	-	(43,046)	
Standards of scholarship	1,204	196	(1,008)	
Curriculum	34,011	33,873	(138)	
Degrees and certificates	300	293	(7)	
Open courses	9,492	9,258	(234)	
Subtotal, materials and supplies	<u>91,195</u>	<u>46,762</u>	<u>(44,433)</u>	Finding 2
Total direct costs	2,106,275	46,762	(2,059,513)	
Indirect costs	<u>586,388</u>	<u>8,071</u>	<u>(578,317)</u>	Finding 3
Total program costs	<u>\$ 2,692,663</u>	54,833	<u>\$ (2,637,830)</u>	
Less amount paid by the State <sup>3</sup>		<u>(2,668,804)</u>		
Amount paid in excess of allowable costs claimed		<u>\$ (2,613,971)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 946,680	\$ -	\$ (946,680)	
Standards of scholarship	790,299	-	(790,299)	
Curriculum	232,580	-	(232,580)	
Open courses	81,523	-	(81,523)	
Subtotal, salaries and benefits	<u>2,051,082</u>	-	<u>(2,051,082)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	3,235	3,235	-	
Transfer centers	168,513	-	(168,513)	
Standards of scholarship	1,414	-	(1,414)	
Curriculum	36,535	34,844	(1,691)	
Degrees and certificates	362	-	(362)	
Open courses	11,034	-	(11,034)	
Subtotal, materials and supplies	<u>221,093</u>	<u>38,079</u>	<u>(183,014)</u>	Finding 2
Total direct costs	2,272,175	38,079	(2,234,096)	
Indirect costs	<u>697,163</u>	<u>12,943</u>	<u>(684,220)</u>	Finding 3
Total program costs	<u>\$ 2,969,338</u>	51,022	<u>\$ (2,918,316)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 51,022</u>		

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 969,613	\$ -	\$ (969,613)	
Standards of scholarship	809,444	-	(809,444)	
Curriculum	238,214	-	(238,214)	
Open courses	83,498	-	(83,498)	
Subtotal, salaries and benefits	<u>2,100,769</u>	<u>-</u>	<u>(2,100,769)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	3,177	3,177	-	
Transfer centers	568,382	-	(568,382)	
Standards of scholarship	1,182	294	(888)	
Curriculum	29,621	12,972	(16,649)	
Degrees and certificates	360	294	(66)	
Open courses	11,530	11,309	(221)	
Subtotal, materials and supplies	<u>614,252</u>	<u>28,046</u>	<u>(586,206)</u>	Finding 2
Total direct costs	2,715,021	28,046	(2,686,975)	
Indirect costs	<u>669,935</u>	<u>8,944</u>	<u>(660,991)</u>	Finding 3
Total direct and indirect costs	3,384,956	36,990	(3,347,966)	
Less offsetting revenues/reimbursements	<u>-</u>	<u>(14,918)</u>	<u>(14,918)</u>	Finding 4
Total program costs	<u>\$ 3,384,956</u>	<u>22,072</u>	<u>\$ (3,362,884)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 22,072</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 1,115,593	\$ -	\$ (1,115,593)	
Standards of scholarship	931,309	-	(931,309)	
Curriculum	274,078	-	(274,078)	
Open courses	96,068	-	(96,068)	
Subtotal, salaries and benefits	<u>2,417,048</u>	<u>-</u>	<u>(2,417,048)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	3,703	3,703	-	
Transfer centers	3,269,410	-	(3,269,410)	
Standards of scholarship	1,151	363	(788)	
Curriculum	29,438	23,437	(6,001)	
Degrees and certificates	365	437	72	
Open courses	11,561	13,816	2,255	
Subtotal, materials and supplies	<u>3,315,628</u>	<u>41,756</u>	<u>(3,273,872)</u>	Finding 2
Total direct costs	5,732,676	41,756	(5,690,920)	
Indirect costs	<u>766,446</u>	<u>13,241</u>	<u>(753,205)</u>	Finding 3
Total direct and indirect costs	6,499,122	54,997	(6,444,125)	
Less offsetting revenues/reimbursements	<u>-</u>	<u>(29,543)</u>	<u>(29,543)</u>	Finding 4
Total program costs	<u>\$ 6,499,122</u>	<u>25,454</u>	<u>\$ (6,473,668)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 25,454</u>		

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 1,162,167	\$ -	\$ (1,162,167)	
Standards of scholarship	970,190	-	(970,190)	
Curriculum	285,521	-	(285,521)	
Open courses	100,079	-	(100,079)	
Subtotal, salaries and benefits	<u>2,517,957</u>	<u>-</u>	<u>(2,517,957)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	3,925	3,925	-	
Transfer centers	575,823	-	(575,823)	
Standards of scholarship	3,418	163	(3,255)	
Curriculum	118,748	96,967	(21,781)	
Degrees and certificates	166	190	24	
Open courses	5,491	5,362	(129)	
Subtotal, materials and supplies	<u>707,571</u>	<u>106,607</u>	<u>(600,964)</u>	Finding 2
Total direct costs	3,225,528	106,607	(3,118,921)	
Indirect costs	897,652	-	(897,652)	Finding 3
Total direct and indirect costs	4,123,180	106,607	(4,016,573)	
Less offsetting revenues/reimbursements	-	(7,866)	(7,866)	Finding 4
Total program costs	<u>\$ 4,123,180</u>	98,741	<u>\$ (4,024,439)</u>	
Less amount paid by the State <sup>3</sup>		-		
Allowable costs claimed in excess of amount paid		<u>\$ 98,741</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 1,359,494	\$ -	\$ (1,359,494)	
Standards of scholarship	1,134,921	-	(1,134,921)	
Curriculum	334,000	-	(334,000)	
Open courses	117,072	-	(117,072)	
Subtotal, salaries and benefits	<u>2,945,487</u>	<u>-</u>	<u>(2,945,487)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	4,269	4,269	-	
Transfer centers	355,047	-	(355,047)	
Standards of scholarship	184	165	(19)	
Curriculum	144,623	135,272	(9,351)	
Degrees and certificates	257	231	(26)	
Open courses	7,136	6,396	(740)	
Subtotal, materials and supplies	<u>511,516</u>	<u>146,333</u>	<u>(365,183)</u>	Finding 2
Total direct costs	3,457,003	146,333	(3,310,670)	
Indirect costs	1,030,332	-	(1,030,332)	Finding 3
Total direct and indirect costs	4,487,335	146,333	(4,341,002)	
Less offsetting revenues/reimbursements	-	(7,512)	(7,512)	Finding 4
Total program costs	<u>\$ 4,487,335</u>	138,821	<u>\$ (4,348,514)</u>	
Less amount paid by the State <sup>3</sup>		-		
Allowable costs claimed in excess of amount paid		<u>\$ 138,821</u>		

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 1,359,494	\$ -	\$ (1,359,494)	
Standards of scholarship	1,134,921	-	(1,134,921)	
Curriculum	334,000	-	(334,000)	
Open courses	117,072	-	(117,072)	
Subtotal, salaries and benefits	<u>2,945,487</u>	<u>-</u>	<u>(2,945,487)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	4,453	4,453	-	
Transfer centers	236,241	-	(236,241)	
Standards of scholarship	185	199	14	
Curriculum	115,495	109,483	(6,012)	
Degree and certificates	259	267	8	
Open courses	7,079	6,323	(756)	
Subtotal, materials and supplies	<u>363,712</u>	<u>120,725</u>	<u>(242,987)</u>	Finding 2
Total direct costs	3,309,199	120,725	(3,188,474)	
Indirect costs	<u>1,119,285</u>	<u>-</u>	<u>(1,119,285)</u>	Finding 3
Total direct and indirect costs	4,428,484	120,725	(4,307,759)	
Less offsetting revenues/reimbursements	<u>-</u>	<u>(3,907)</u>	<u>(3,907)</u>	Finding 4
Total program costs	<u>\$ 4,428,484</u>	116,818	<u>\$ (4,311,666)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 116,818</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 1,359,494	\$ -	\$ (1,359,494)	
Standards of scholarship	1,134,921	-	(1,134,921)	
Curriculum	334,000	-	(334,000)	
Open courses	117,072	-	(117,072)	
Subtotal, salaries and benefits	<u>2,945,487</u>	<u>-</u>	<u>(2,945,487)</u>	Finding 1
Materials and supplies				
Participation in district and college governance	4,253	4,253	-	
Transfer centers	25,653	-	(25,653)	
Standards of scholarship	130	138	8	
Curriculum	101,556	92,965	(8,591)	
Degree and certificates	182	253	71	
Open courses	4,819	4,092	(727)	
Subtotal, materials and supplies	<u>136,593</u>	<u>101,701</u>	<u>(34,892)</u>	Finding 2
Total direct costs	3,082,080	101,701	(2,980,379)	
Indirect costs	<u>1,267,148</u>	<u>-</u>	<u>(1,267,148)</u>	Finding 3
Total direct and indirect costs	4,349,228	101,701	(4,247,527)	
Less offsetting revenues/reimbursements	<u>-</u>	<u>(6,067)</u>	<u>(6,067)</u>	Finding 4
Total program costs	<u>\$ 4,349,228</u>	95,634	<u>\$ (4,253,594)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 95,634</u>		

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 1,432,702	\$ -	\$ (1,432,702)	
Standards of scholarship	1,196,035	-	(1,196,035)	
Curriculum	351,986	-	(351,986)	
Open courses	123,376	-	(123,376)	
Subtotal, salaries and benefits	3,104,099	-	(3,104,099)	Finding 1
Materials and supplies				
Participation in district and college governance	4,326	4,326	-	
Transfer centers	28,772	-	(28,772)	
Standards of scholarship	123	124	1	
Curriculum	15,340	15,481	141	
Degrees and certificates	172	558	386	
Open courses	4,574	3,555	(1,019)	
Subtotal, materials and supplies	53,307	24,044	(29,263)	Finding 2
Total direct costs	3,157,406	24,044	(3,133,362)	
Indirect costs	1,434,715	-	(1,434,715)	Finding 3
Total direct and indirect costs	4,592,121	24,044	(4,568,077)	
Less offsetting revenues/reimbursements	-	(5,441)	(5,441)	Finding 4
Total program costs	<u>\$ 4,592,121</u>	18,603	<u>\$ (4,573,518)</u>	
Less amount paid by the State <sup>3</sup>		-		
Allowable costs claimed in excess of amount paid		<u>\$ 18,603</u>		
<u>Summary: July 1, 2001, through June 30, 2012</u>				
Direct costs <sup>2</sup> :				
Salaries and benefits				
Transfer centers	\$ 12,695,856	\$ -	\$ (12,695,856)	
Standards of scholarship	10,598,640	-	(10,598,640)	
Curriculum	3,119,112	-	(3,119,112)	
Open courses	1,093,296	-	(1,093,296)	
Subtotal, salaries and benefits	27,506,904	-	(27,506,904)	Finding 1
Materials and supplies				
Participation in district and college governance	40,779	40,779	-	
Transfer centers	5,420,313	-	(5,420,313)	
Standards of scholarship	15,074	1,828	(13,246)	
Curriculum	814,036	741,916	(72,120)	
Degrees and certificates	2,945	2,756	(189)	
Open courses	89,019	68,983	(20,036)	
Subtotal, materials and supplies	6,382,166	856,262	(5,525,904)	Finding 2
Total direct costs	33,889,070	856,262	(33,032,808)	
Indirect costs	9,960,576	73,162	(9,887,414)	Finding 3
Total direct and indirect costs	43,849,646	929,424	(42,920,222)	
Less offsetting revenues/reimbursements	-	(75,254)	(75,254)	Finding 4
Total program costs	<u>\$ 43,849,646</u>	854,170	<u>\$ (42,995,476)</u>	
Less amount paid by the State <sup>3</sup>		(8,908,678)		
Amount paid in excess of allowable costs claimed		<u>\$ (8,054,508)</u>		

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

<sup>2</sup> Includes only ongoing activities.

<sup>3</sup> Payment amount current as of October 30, 2019.

# Findings and Recommendations

## **FINDING 1— Unallowable salaries and benefits**

The district claimed \$27,506,904 in salaries and benefits for the audit period. The district claimed costs for four of the seven reimbursable activities: transfer centers, standards of scholarship, curriculum, and open courses. We found that the entire amount is unallowable. The costs are unallowable for the following reasons:

- The district misinterpreted the program’s parameters and guidelines requirement that only actual costs may be claimed. Actual costs must be traceable to and supported by contemporaneous source documents that show the validity of such costs, and their relationship to the reimbursable activities. The district claimed costs based on declarations and signed certifications, which are corroborating documents, not source documents.
- The district provided an Individual Average Time Record (Individual Counselor Time Percentages) document to support each counselor’s time spent on the reimbursable activities. This single document identifies the percentage of estimated staff time spent on reimbursable activities for each fiscal year of the audit period. These time records did not provide the level of detail needed for us to determine which reimbursable activities were actually performed, or the actual hours spent on each reimbursable activity.
- Most of the claimed activities related to the transfer center were specifically excluded from reimbursement by the Commission when developing the program’s parameters and guidelines. Such activities include, but are not limited to, identifying, contacting, and providing transfer support services to underrepresented students; ensuring that students receive accurate and up-to-date academic and transfer information through coordinated transfer counseling services; and monitoring the progress of transfer students to the point of transfer.

The following table summarizes the audit adjustment related to salaries and benefits for each fiscal year of the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 2,307,586	\$ -	\$ (2,307,586)
2002-03	2,156,822	-	(2,156,822)
2003-04	2,015,080	-	(2,015,080)
2004-05	2,051,082	-	(2,051,082)
2005-06	2,100,769	-	(2,100,769)
2006-07	2,417,048	-	(2,417,048)
2007-08	2,517,957	-	(2,517,957)
2008-09	2,945,487	-	(2,945,487)
2009-10	2,945,487	-	(2,945,487)
2010-11	2,945,487	-	(2,945,487)
2011-12	3,104,099	-	(3,104,099)
Total	<u>\$ 27,506,904</u>	<u>\$ -</u>	<u>\$ (27,506,904)</u>

The following table summarizes the audit adjustment related to salaries and benefits by reimbursable activity:

Reimbursable Activity	Amount Claimed	Amount Allowable	Audit Adjustment
Transfer centers	\$ 12,695,856	\$ -	\$ (12,695,856)
Standards of scholarship	10,598,640	-	(10,598,640)
Curriculum	3,119,112	-	(3,119,112)
Open courses	1,093,296	-	(1,093,296)
<b>Total</b>	<b>\$ 27,506,904</b>	<b>\$ -</b>	<b>\$ (27,506,904)</b>

The parameters and guidelines (section IV) state, in part:

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 to 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 costs 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 Code of Civil 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.

Recommendation

Commencing in FY 2015-16, the district elected to receive mandate block grant funding pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of receiving mandate block grant funding, we recommend that it:

- Follow the mandated program claiming instructions and parameters and guidelines when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are supported by contemporaneous source documentation.

**FINDING 2—  
Overstated materials  
and supplies**

The district claimed \$6,382,166 in materials and supplies for the audit period. The district claimed costs for six of the seven reimbursable activities: participation in district and college governance, transfer centers, standards of scholarship, curriculum, degrees and certificates, and open

courses. We found that \$856,262 is allowable and \$5,525,904 is unallowable. The costs are unallowable primarily because the district did not adequately support its claimed costs. In addition, the district claimed unsupported publishing costs and non-reimbursable printing costs under various activities.

The following table summarizes the materials and supplies costs audit adjustment for each fiscal year of the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 165,924	\$ 91,202	\$ (74,722)
2002-03	201,375	111,007	(90,368)
2003-04	91,195	46,762	(44,433)
2004-05	221,093	38,079	(183,014)
2005-06	614,252	28,046	(586,206)
2006-07	3,315,628	41,756	(3,273,872)
2007-08	707,571	106,607	(600,964)
2008-09	511,516	146,333	(365,183)
2009-10	363,712	120,725	(242,987)
2010-11	136,593	101,701	(34,892)
2011-12	53,307	24,044	(29,263)
Total	<u>\$ 6,382,166</u>	<u>\$ 856,262</u>	<u>\$ (5,525,904)</u>

The following table summarizes the materials and supplies costs audit adjustment by reimbursable activity:

Reimbursable Activity	Amount Claimed	Amount Allowable	Audit Adjustment
Participation in district and college governance	\$ 40,779	\$ 40,779	\$ -
Transfer centers	5,420,313	-	(5,420,313)
Standards of scholarship	15,074	1,828	(13,246)
Curriculum	814,036	741,916	(72,120)
Degrees and certificates	2,945	2,756	(189)
Open courses	89,019	68,983	(20,036)
Total	<u>\$ 6,382,166</u>	<u>\$ 856,262</u>	<u>\$ (5,525,904)</u>

### Participation in District and College Governance

The district claimed \$40,779 in materials and supplies costs related to participation in district and college governance. We found that the entire amount is allowable.

The parameters and guidelines (section V.A.2) require claimants to report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

## **Transfer Centers**

The district claimed \$5,420,313 in materials and supplies costs related to transfer centers. We found that the entire amount is unallowable. The costs are unallowable primarily because the district did not adequately support its claimed costs. In addition, the district claimed non-reimbursable printing costs for college catalogs.

The district claimed \$5,418,849 in materials and supplies based on the allocation of total transfer center costs per the California Community Colleges Annual Financial and Budget (CCFS-311) Report as described in the mandated cost claim Form 2 (Activity Cost Detail). However, the claimed amounts were based on the Recapitulation of Transfer Center Direct Costs (Form 2-TC 1.8-5.2). Based on this form, the district reported the related materials and supplies claimed by subtracting the counselor costs and counselor support staff costs from the total transfer program costs per their general ledger. These documents did not provide details of what specific materials and supplies were consumed for the purpose of the reimbursable activities. Therefore, the entire claimed amount is unallowable.

The district also claimed non-reimbursable printing costs totaling \$1,464 for college catalogs. The district claimed non-reimbursable printing costs for pages related to the current transfer core curriculum found in its college catalogs. In addition, the district did not include the reimbursable information in its class schedules during the audit period.

The parameters and guidelines (section V.A.2) require claimants to report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

The parameters and guidelines (section IV.2.b.2) allow reimbursement only for printing costs that “include the text of the current transfer core curriculum in the published class schedule for each academic term.”

## **Standards of Scholarship**

The district claimed \$15,074 in materials and supplies costs related to standards of scholarship. We found that \$1,828 is allowable and \$13,246 is unallowable. The costs are unallowable primarily because the district claimed non-reimbursable printing costs for class schedules.

The district claimed total printing costs of \$12,643 for class schedules. However, per the parameters and guidelines (sections IV.4.b.2, IV.4.b.6, IV.4.b.15, IV.4.b.18, IV.4.b.20b, and IV.4.b.21), reimbursement is allowable only for publishing the relevant pages in the college catalogs. Therefore, all printing costs related to the class schedules are unallowable.

The district also claimed total printing costs of \$2,431 for college catalogs. Based on the supporting documentation received, we recalculated the district’s allowable printing costs, totaling \$1,828, for college catalogs. The district did not provide supporting documentation for its college catalog expenditures in FY 2001-02 and FY 2004-05. To calculate the allowable printing costs, we divided the number of reimbursable pages

related to standards of scholarship (as described in the parameters and guidelines) by the total number of printed pages; we then multiplied that percentage by the total printing costs that were adequately supported by source documents.

### **Curriculum**

The district claimed \$814,036 in materials and supplies costs related to curriculum. We found that \$741,916 is allowable and \$72,120 is unallowable. The costs are unallowable because the district claimed non-reimbursable printing costs for pages in the class schedules that did not include any of the curriculum information as described in the parameters and guidelines.

The district claimed total printing costs of \$2,883 for the college catalogs. The district misinterpreted the reimbursable curriculum information as described in the program's parameters and guidelines. We noted that the district claimed non-reimbursable printing costs for pages related to general course information (i.e., prerequisite, corequisite, recommended preparation, and enrollment limitations) and the standards of student conduct information. Therefore, all printing costs related to college catalogs are unallowable.

The district also claimed total printing costs of \$811,153 for class schedules. Based on the supporting documentation received, we recalculated the district's allowable printing costs, totaling \$741,916, for class schedules. We found that the district inadvertently included in its count pages that only identified a note, recommended preparation, and/or limitations for enrollment found under each course. The district also did not provide supporting documentation for its class schedule expenditures for summer 2004, summer 2005, fall 2005, and summer 2006. To calculate the allowable printing costs, we divided the number of reimbursable pages related to curriculum (as described in the parameters and guidelines) by the total number of printed pages; we then multiplied that percentage by the total printing costs that were adequately supported by source documents.

The parameters and guidelines (section IV.5.b.6) state:

Make available to students through college publications all of the following facts regarding each course offered before they enroll in the course: (1) whether the course is offered as a credit or noncredit course; (2) whether the course is transferable to four-year colleges and universities; and (3) whether the course fulfills a major or general education requirement.

The parameters and guidelines (section IV.5.b.8c) also state:

Identify prerequisites and co-requisites required to be established for an associate degree credit course in college publications available to students as well as in the course outline of any course for which they are established.

## Degrees and Certificates

The district claimed \$2,945 in materials and supplies costs related to degrees and certificates. We found that \$2,756 is allowable and \$189 is unallowable. The costs are unallowable primarily because the district did not provide supporting documentation for the college catalog expenditures in FY 2001-02 and FY 2004-05.

To calculate the allowable printing costs, we divided the number of reimbursable pages related to degrees and certificates (as described in the parameters and guidelines) by the total number of printed pages; we then multiplied that percentage by the total printing costs that were adequately supported by source documents.

The parameters and guidelines (section IV.6.a) state:

Include in the policy the requirement to condition receipt of an associate degree by a student on the satisfactory completion of at least 60 semester units or 90 quarter units of college work that is fulfilled in a curriculum accepted toward the degree by a college within the district (as shown in its catalog).

The parameters and guidelines (section IV.6.b) also state:

Publish in the college catalog under appropriate headings the policy that is consistent with the subchapter in title 5 of the California Code of Regulations regarding degrees and certificates.

## Open Courses

The district claimed \$89,019 in materials and supplies costs related to open courses. We found that \$68,983 is allowable and \$20,036 is unallowable. The costs are unallowable primarily because the district did not provide supporting documentation for the college catalog expenditures in FY 2001-02 and FY 2004-05. In addition, the district claimed non-reimbursable printing costs for pages in the college catalogs that did not include any course descriptions.

To calculate the allowable printing costs, we divided the number of reimbursable pages related to open courses (as described in the parameters and guidelines) by the total number of printed pages; we then multiplied that percentage by the total printing costs that were adequately supported by source documents.

The parameters and guidelines (section IV.7.a) allow reimbursement for publishing a description of each course that is clear and understandable to the prospective student in the official catalog, schedule of classes, and addenda.

### Recommendation

Commencing in FY 2015-16, the district elected to receive mandate block grant funding pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of receiving mandate block grant funding, we recommend that it:

- Follow the mandated program claiming instructions and parameters and guidelines when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are supported by contemporaneous source documentation.

### **FINDING 3— Overstated indirect costs**

The district claimed indirect costs totaling \$9,960,576 for the audit period. We found that \$73,162 is allowable and \$9,887,414 is unallowable. The costs are unallowable primarily because they are related to the unallowable salaries and benefits described in Finding 1. In addition, the district's indirect cost rate calculations did not comply with the SCO's claiming instructions.

For the audit period, the district claimed indirect costs based on indirect cost rates prepared using the SCO's FAM-29C methodology. However, the district did not allocate direct and indirect costs in accordance with the SCO's claiming instructions. The district incorrectly reported Community Relations (EDP 6710) as indirect costs. The district also calculated each fiscal year's indirect cost rate based on actual costs reported in the district's CCFS-311 Report from the preceding fiscal year, rather than the current fiscal year. In addition, the district incorrectly applied its indirect cost rate to salaries and benefits rather than total direct costs (salaries and benefits, and materials and supplies) for FY 2001-02 through FY 2006-07.

For FY 2001-02 through FY 2006-07, the SCO audited the district's indirect cost rates as part of two separate audits of the district's Health Fee Elimination Program. We applied the audited FAM-29C rates to allowable direct costs.

For FY 2007-08 through FY 2011-12, we recalculated the district's indirect cost rate using the SCO's FAM-29C methodology and the corresponding CCFS-311 Report. We applied the allowable rates to allowable salaries and benefits only.

The following table summarizes the audit adjustment related to indirect costs for each fiscal year of the audit period:

Fiscal Year	(A)		(B)	(C) = (A) × (B)		(D)	(E) = (C) - (D)
	Allowable Salaries and Benefits	Allowable Materials and Supplies	Allowable Indirect Cost Rate	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment	
2001-02	\$ -	\$ 91,202	14.17%	\$ 12,923	\$ 836,269	\$ (823,346)	
2002-03	-	111,007	15.35%	17,040	655,243	(638,203)	
2003-04	-	46,762	17.26%	8,071	586,388	(578,317)	
2004-05	-	38,079	33.99%	12,943	697,163	(684,220)	
2005-06	-	28,046	31.89%	8,944	669,935	(660,991)	
2006-07	-	41,756	31.71%	13,241	766,446	(753,205)	
2007-08	-	N/A	34.30%	-	897,652	(897,652)	
2008-09	-	N/A	36.70%	-	1,030,332	(1,030,332)	
2009-10	-	N/A	41.35%	-	1,119,285	(1,119,285)	
2010-11	-	N/A	44.34%	-	1,267,148	(1,267,148)	
2011-12	-	N/A	45.16%	-	1,434,715	(1,434,715)	
Total				<u>\$ 73,162</u>	<u>\$ 9,960,576</u>	<u>\$ (9,887,414)</u>	

The parameters and guidelines (section V.B) state:

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

For FY 2001-02 through FY 2006-07, the SCO's claiming instructions state:

A CCD [community college district] may claim indirect costs using the Controller's methodology (FAM-29C)...The FAM-29C methodology uses a direct cost base comprised of salary and benefit costs and operating expenses.

For FY 2007-08 forward, the SCO's claiming instructions state:

A CCD [community college district] may claim indirect costs using the Controller's methodology (FAM-29C)...The methodology used in form FAM-29C is a direct cost base comprised of salary and benefit costs.

### Recommendation

Commencing in FY 2015-16, the district elected to receive mandate block grant funding pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of receiving mandate block grant funding, we recommend that it:

- Follow the mandated program claiming instructions and parameters and guidelines when preparing its reimbursement claims; and
- Ensure that the claimed indirect cost rates are computed in accordance with the SCO's FAM-29 methodology and applied to allowable direct costs.

**FINDING 4—  
Understated  
offsetting  
reimbursements**

The district did not report any offsetting revenues or reimbursements for the audit period. We found that the district understated offsetting reimbursements by \$75,254.

The district charged students a fee for purchasing class schedules and college catalogs for FY 2005-06 through FY 2011-12. As the district receives partial reimbursement for publishing its class schedules and college catalogs under this mandate, a portion of the revenue received from these sales should be reported as an offset to the claim.

To calculate the related offsetting reimbursements, we applied the overall percentage of reimbursable pages for both class schedules and college catalogs (combined) to total offsetting revenue received for each fiscal year. To calculate the overall percentage of reimbursable pages, we added the total number of reimbursable pages from each class schedule and college catalog, and then divided that by the total number of printed pages.

The following table summarizes the audit adjustment related to offsetting reimbursements for each fiscal year of the audit period:

Fiscal Year	Offsetting Reimbursements Reported	Actual Offsetting Reimbursements	Audit Adjustment
2001-02	\$ -	\$ -	\$ -
2002-03	-	-	-
2003-04	-	-	-
2004-05	-	-	-
2005-06	-	(14,918)	(14,918)
2006-07	-	(29,543)	(29,543)
2007-08	-	(7,866)	(7,866)
2008-09	-	(7,512)	(7,512)
2009-10	-	(3,907)	(3,907)
2010-11	-	(6,067)	(6,067)
2011-12	-	(5,441)	(5,441)
<b>Total</b>	<b>\$ -</b>	<b>\$ (75,254)</b>	<b>\$ (75,254)</b>

The following table summarizes the offsetting reimbursement calculations for FY 2005-06 through FY 2011-12:

Fiscal Year	College Publication	(A)	(B)	(C) = (A) ÷ (B)	(D)	(E) = (C) × (D)
		Total Number of Reimbursable Pages	Total Printed Pages	Overall Percentage of Reimbursable Pages	Total Revenue Received	Related Offsetting Reimbursements
2005-06	Class schedule	187	272			
	College catalog	202	260			
	<b>Total, FY 2005-06</b>	<b>389</b>	<b>532</b>	<b>73.12%</b>	<b>\$ 20,401.50</b>	<b>\$ 14,918</b>
2006-07	Class schedule	196	284			
	College catalog	201	260			
	<b>Total, FY 2006-07</b>	<b>397</b>	<b>544</b>	<b>72.98%</b>	<b>\$ 40,480.60</b>	<b>\$ 29,543</b>
2007-08	Class schedule	206	300			
	College catalog	210	268			
	<b>Total, FY 2007-08</b>	<b>416</b>	<b>568</b>	<b>73.24%</b>	<b>\$ 10,740</b>	<b>\$ 7,866</b>
2008-09	Class schedule	205	272			
	College catalog	206	289			
	<b>Total, FY 2008-09</b>	<b>411</b>	<b>561</b>	<b>73.26%</b>	<b>\$ 10,254</b>	<b>\$ 7,512</b>
2009-10	Class schedule	180	260			
	College catalog	204	284			
	<b>Total, FY 2009-10</b>	<b>384</b>	<b>544</b>	<b>70.59%</b>	<b>\$ 5,535</b>	<b>\$ 3,907</b>
2010-11	Class schedule	163	256			
	College catalog	195	281			
	<b>Total, FY 2010-11</b>	<b>358</b>	<b>537</b>	<b>66.67%</b>	<b>\$ 9,100</b>	<b>\$ 6,067</b>
2011-12	Class schedule	151	244			
	College catalog	205	301			
	<b>Total, FY 2011-12</b>	<b>356</b>	<b>545</b>	<b>65.32%</b>	<b>\$ 8,330</b>	<b>\$ 5,441</b>
<b>Total</b>					<b>\$ 75,254</b>	

The parameters and guidelines (section VII) state, in part:

Any offsets 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, service fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

Recommendation

Commencing in FY 2015-16, the district elected to receive block grant funding pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of receiving block grant funding, we recommend that it:

- Follow the mandated program claiming instructions and parameters and guidelines when preparing its reimbursement claims; and
- Ensure that all related offsetting reimbursements are identified and deducted from claimed costs.

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

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**EL CAMINO COMMUNITY COLLEGE DISTRICT**

16007 Crenshaw Boulevard, Torrance, California 90506-0001

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Ms. Lisa Kurokawa  
Chief, Compliance Audits Bureau  
State Controllers Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250

Dear Ms. Kurokawa,

We have carefully reviewed your findings resultant from your 2001-02 through 2011-12 audit of our Minimum Conditions for State Aid (MCSA) claims. We accept your findings and have adjusted our procedures to ensure that claims meet the standards set for possible future reimbursement.

Thank you for the opportunity to improve our internal controls, processes, and understanding of the MCSA program.

Sincerely,

Dena P. Maloney, Ed. D.  
Superintendent/President

Sent VIA Email and US Mail

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

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