

SOUTHWESTERN COMMUNITY COLLEGE DISTRICT

Audit Report

ENROLLMENT FEE COLLECTION AND WAIVERS PROGRAM

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

*July 1, 2007, through June 30, 2009;
and July 1, 2010, through June 30, 2012*



BETTY T. YEE
California State Controller

February 2015



BETTY T. YEE
California State Controller

February 17, 2015

Norma Henandez, Governing Board President
Southwestern Community College District
900 Otay Lakes Road
Chula Vista, CA 91910

Dear Ms. Hernandez:

The State Controller's Office audited the costs claimed by the Southwestern Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code Section 76300 and Title 5, *California Code of Regulations*, Sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 2007, through June 30, 2009; and July 1, 2010, through June 30, 2012.

The district claimed \$4,837,753 for the mandated program. Our audit found that \$24,818 is allowable (\$27,576 less a \$2,758 penalty for filing a late claim) and \$4,812,935 is unallowable. The costs are unallowable because the district claimed estimated costs that were not supported by source documentation; claimed ineligible time; misstated student enrollment numbers; misstated the number of Board of Governor's Grants (BOGG) fee waivers; claimed ineligible costs for adopting procedures, recording, and maintaining records for BOGG fee waivers; claimed unallowable indirect costs; understated eligible offsetting revenues; and misstated employee productive hourly rates. The State paid the district \$344,850. The amount paid exceeds allowable costs claimed by \$320,032.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). 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 Commission's website at www.csm.ca.gov/docs/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Don Tomas, Ed.D., President
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Southwestern Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code Section 76300 and Title 5, *California Code of Regulations*, Sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 2007, through June 30, 2009; and July 1, 2010, through June 30, 2012.

The district claimed \$4,837,753 for the mandated program. Our audit found that \$24,818 is allowable (\$27,576 less a \$2,758 penalty for filing a late claim) and \$4,812,935 is unallowable. The costs are unallowable because the district claimed estimated costs that were not supported by source documentation; claimed ineligible time; misstated student enrollment numbers; misstated the number of Board of Governor's Grants (BOGG) fee waivers; claimed ineligible costs for adopting procedures, recording, and maintaining records for BOGG fee waivers; claimed unallowable indirect costs; understated eligible offsetting revenues; and misstated employee productive hourly rates. The State paid the district \$344,850. The amount paid exceeds allowable costs claimed by \$320,032.

Background

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

The sections were added and/or amended by:

- 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 (Commission) adopted the Statement of Decision for the Enrollment Fee Collection and Waivers Program. The Commission 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 Commission 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 BOGG fee 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 the reimbursement criteria. The Commission 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.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Enrollment Fee Collection and Waivers Program for the period of July 1, 2007, through June 30, 2009; and July 1, 2010, through June 30, 2012.

The objectives of our audit were 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 legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. 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 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

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

For the audit period, the Southwestern Community College District claimed \$4,837,753 for costs of the Enrollment Fee Collection and Waivers Program. Our audit found that \$24,818 is allowable (\$27,576 less a \$2,758 penalty for filing a late claim) and \$4,812,935 is unallowable.

For the fiscal year (FY) 2007-08 claim, the State made no payment to the district. Our audit found that \$24,818 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$24,818, contingent upon available appropriations.

For the FY 2008-09 claim, the State paid the district \$344,850. Our audit found that all costs claimed are unallowable. The State will offset \$344,850 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2010-11 and FY 2011-12 claims, the State made no payment to the district. Our audit found that claimed costs are unallowable.

Views of Responsible Officials

We issued a draft audit report on January 9, 2015. Don Tomas, Ed.D., President, responded by letter dated January 26, 2015 (Attachment), accepting the audit results as submitted. This final audit report includes the district's response.

Restricted Use

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

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

February 17, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2007, through June 30, 2009;
and July 1, 2010, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
July 1, 2007, through June 30, 2008				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 311	\$ 311	\$ —	
Staff training	146	146	—	
Calculating and collecting enrollment fees	1,062,238	28,689	(1,033,549)	Finding 1 & 7
Total direct costs	1,062,695	29,146	(1,033,549)	
Indirect costs	465,141	9,813	(455,328)	Finding 5
Total direct and indirect costs	1,527,836	38,959	(1,488,877)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(75,727)	(78,937)	(3,210)	Finding 6
Adjustment for unused portion of offsets ²	—	39,978	39,978	
Total enrollment fee collection	1,452,109	—	(1,452,109)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	356	356	—	
Staff training	178	178	—	
Adopt procedures, record and maintain records	105,506	5,343	(100,163)	Finding 2
Waiving student fees	458,184	72,102	(386,082)	Finding 3 & 7
Reporting BOGG fee waiver data to CCCCCO	297	8,222	7,925	Finding 4
Total direct costs	564,521	86,201	(478,320)	
Indirect costs	247,091	29,022	(218,069)	Finding 5
Total direct and indirect costs	811,612	115,223	(696,389)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(165,960)	(87,647)	78,313	Finding 6
Adjustment for unused portion of offsets ²	—	—	—	
Total enrollment fee waivers	645,652	27,576	(618,076)	
Subtotal	2,097,761	27,576	(2,070,185)	
Less late penalty ³	—	(2,758)	(2,758)	
Total program costs	<u>\$ 2,097,761</u>	24,818	<u>\$ (2,072,943)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,818</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 311	\$ 311	\$ —	
Staff training	146	146	—	
Calculating and collecting enrollment fees	1,097,280	25,186	(1,072,094)	Finding 1 & 7
Total direct costs	1,097,737	25,643	(1,072,094)	
Indirect costs	480,479	8,865	(471,614)	Finding 5
Total direct and indirect costs	1,578,216	34,508	(1,543,708)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(77,163)	(86,706)	(9,543)	Finding 6
Adjustment for unused portion of offsets ²	—	52,198	52,198	
Total enrollment fee collection	1,501,053	—	(1,501,053)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	401	401	—	
Staff training	201	201	—	
Adopt procedures, record and maintain records	105,506	5,546	(99,960)	Finding 2
Waiving student fees	533,843	69,954	(463,889)	Finding 3 & 7
Reporting BOGG fee waiver data to CCCCCO	334	8,084	7,750	Finding 4
Total direct costs	640,285	84,186	(556,099)	
Indirect costs	280,253	29,103	(251,150)	Finding 5
Total direct and indirect costs	920,538	113,289	(807,249)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(181,528)	(243,394)	(61,866)	Finding 6
Adjustment for unused portion of offsets ²	—	130,105	130,105	
Total enrollment fee waivers	739,010	—	(739,010)	
Total program costs	<u>\$ 2,240,063</u>	—	<u>\$ (2,240,063)</u>	
Less amount paid by the State		(344,850)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (344,850)</u>		
<u>July 1, 2010, through June 30, 2011</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ —	\$ —	\$ —	
Staff training	1,180	1,180	—	
Calculating and collecting enrollment fees	381,259	24,772	(356,487)	Finding 1 & 7
Total direct costs	382,439	25,952	(356,487)	
Indirect costs	156,647	8,102	(148,545)	Finding 5

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2010, through June 30, 2011 (continued)</u>				
Total direct and indirect costs	539,086	34,054	(505,032)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(74,213)	(88,045)	(13,832)	Finding 6
Adjustment for unused portion of offsets ²	—	53,991	53,991	
Total enrollment fee collection	464,873	—	(464,873)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	—	—	—	
Staff training	—	—	—	
Adopt procedures, record and maintain records	—	5,020	5,020	Finding 2
Waiving student fees	132,521	85,650	(46,871)	Finding 3 & 7
Reporting BOGG fee waiver data to CCCCCO	—	9,079	9,079	Finding 4
Total direct costs	132,521	99,749	(32,772)	
Indirect costs	54,281	31,141	(23,140)	Finding 5
Total direct and indirect costs	186,802	130,890	(55,912)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(324,527)	(267,217)	57,310	Finding 6
Adjustment for unused portion of offsets ²	—	136,327	136,327	
Total enrollment fee waivers	(137,725)	—	137,725	
Total program costs	\$ 327,148	—	\$ (327,148)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ —		
<u>July 1, 2011, through June 30, 2012</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 1,522	\$ 1,522	\$ —	
Staff training	1,180	1,180	—	
Calculating and collecting enrollment fees	343,734	30,304	(313,430)	Finding 1 & 7
Total direct costs	346,436	33,006	(313,430)	
Indirect costs	138,575	9,825	(128,750)	Finding 5
Total direct and indirect costs	485,011	42,831	(442,180)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(91,924)	(88,504)	3,420	Finding 6
Adjustment for unused portion of offsets ²	—	45,673	45,673	
Total enrollment fee collection	393,087	—	(393,087)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2011, through June 30, 2012 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	—	—	—	
Staff training	—	—	—	
Adopt procedures, record and maintain records	—	4,958	4,958	Finding 2
Waiving student fees	107,468	113,912	6,444	Finding 3 & 7
Reporting BOGG fee waiver data to CCCCCO	—	9,525	9,525	Finding 4
Total direct costs	107,468	128,395	20,927	
Indirect costs	42,987	38,221	(4,766)	Finding 5
Total direct and indirect costs	150,455	166,616	16,161	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(370,761)	(276,650)	94,111	Finding 6
Adjustment for unused portion of offsets ²	—	110,034	110,034	
Total enrollment fee waivers	(220,306)	—	220,306	
Total program costs	<u>\$ 172,781</u>	—	<u>\$ (172,781)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2007, through June 30, 2009; and July 1, 2010, through June 30, 2012</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits:				
Prepare policies and procedures	\$ 2,144	\$ 2,144	\$ —	
Staff training	2,652	2,652	—	
Calculating and collecting enrollment fees	2,884,511	108,951	(2,775,560)	Finding 1 & 7
Total direct costs	2,889,307	113,747	(2,775,560)	
Indirect costs	1,240,842	36,605	(1,204,237)	Finding 5
Total direct and indirect costs	4,130,149	150,352	(3,979,797)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(319,027)	(342,192)	(23,165)	Finding 6
Adjustment for unused portion of offsets ²	—	191,840	191,840	
Total enrollment fee collection	3,811,122	—	(3,811,122)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	757	757	—	
Staff training	379	379	—	
Adopt procedures, record and maintain records	211,012	20,867	(190,145)	Finding 2
Waiving student fees	1,232,016	341,618	(890,398)	Finding 3 & 7
Reporting BOGG fee waiver data to CCCCCO	631	34,910	34,279	Finding 4

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2007, through June 30, 2009; and July 1, 2010, through June 30, 2012 (continued)</u>				
Total direct costs	1,444,795	398,531	(1,046,264)	
Indirect costs	624,612	127,487	(497,125)	Finding 5
Total direct and indirect costs	2,069,407	526,018	(1,543,389)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(1,042,776)	(874,908)	167,868	Finding 6
Adjustment for unused portion of offsets ²	—	376,466	376,466	
Total enrollment fee waivers	1,026,631	27,576	(999,055)	
Subtotal	4,837,753	27,576	(4,810,177)	
Less late filing penalty ³	—	(2,758)	(2,758)	
Total program costs	<u>\$ 4,837,753</u>	24,818	<u>\$ (4,812,935)</u>	
Less amount paid by the State		(344,850)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (320,032)</u>		

¹ See the Findings and Recommendations section.

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

³ The SCO assesses late penalties on allowable costs for claims files after the filing deadline specified in Government Code section 17568, equal to 10% of allowable costs, not to exceed \$10,000.

Findings and Recommendations

FINDING 1— Enrollment fee collection: Calculating and Collecting Enrollment Fees cost component – unallowable ongoing costs

The district claimed \$2,884,511 in salaries and benefits for the Calculating and Collecting Enrollment Fees cost component during the audit period. We found that \$108,951 is allowable and \$2,775,560 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 the student enrollment data reported to us by the California Community College Chancellor's Office (CCCCO); and the number of students who paid their enrollment fees online rather than in person, based on information provided to us by the district. We made adjustments to the student enrollment data and to the average productive hourly rates used in the district's claims.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2007-08	\$ 1,062,238	\$ 28,689	\$ (1,033,549)
2008-09	1,097,280	25,186	(1,072,094)
2010-11	381,259	24,772	(356,487)
2011-12	343,734	30,304	(313,430)
Total, salaries and benefits	\$ 2,884,511	\$ 108,951	\$ (2,775,560)

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

- i. Referencing student accounts and records to determine course workload, status of payments, and eligibility for fee waiver. Printing a list of enrolled courses. **(Activity 1)**
- ii. Calculating the total enrollment fee to be collected. Identifying method of payment. Collecting cash and making change as necessary. Processing credit card and other non-cash payment transactions (however, any fees that may be charged to a community college district by a credit card company or bank are not reimbursable). Preparing a receipt for a payment received. **(Activity 2)**
- iii. Answering student's questions regarding enrollment fee collection or referring them to the appropriate person for an answer. **(Activity 3)**
- iv. Updating written and computer records for the enrollment fee information and providing a copy to the student. Copying and filing enrollment fee documentation. **(Activity 4)**

- v. Collecting delinquent enrollment fees, including written or telephonic collection notices to students, turning accounts over to collection agencies, or small claims court action. **(Activity 5)**
- vi. For students who establish fee waiver eligibility after the enrollment fee has been collected, providing a refund or enrollment fees paid and updating student and district records as required. (Refund process for change in program is not reimbursable). **(Activity 6)**

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

To be eligible for mandated cost reimbursement, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records, time logs, sign-in sheets, invoices, and receipts.

Salaries and Benefits

For the first two years of the audit period, the district claimed salaries and benefits for the six reimbursable activities under the Calculating and Collecting Enrollment Fees cost component using time allowances developed from the estimated time it took staff to complete various activities through the use of employees' annual survey forms. Employees estimated the average time in minutes it took them to perform the six reimbursable activities per student per year on certification forms that the district developed using the services of a mandated cost consultant. To compute the average time increment claimed for each of the six reimbursable activities, the district added all of the employee's time estimates together and divided the total by the number of employees who provided estimates.

For fiscal year (FY) 2010-11 and FY 2011-12, the district used forms developed by the district's mandated cost consultant to determine the amount of time spent on reimbursable activities 1, 3, and 4. However, the district only used time increments in its calculations to claim costs for reimbursable activities 1 and 4. For activities 2 and 3, the district determined the number of hours spent each year by various employees on the reimbursable activities and added them together.

The district did not provide any source documentation based on actual data to support the estimated time allowances. In addition, the district provided no evidence indicating that the average time increments were verified for reasonableness.

The following table summarizes the minutes claimed for reimbursable Activities 1 through 6:

Reimbursable Activity	FY 2007-08	FY 2008-09	FY 2010-11*	FY 2011-12*
1 Referencing Students Accounts	5.00	5.00	3.00	3.00
2 Calculating the Fee	15.00	15.00	-	-
3 Answering Questions	10.00	10.00	-	-
4 Updating Records	5.00	5.00	3.00	3.00
Subtotal, Activities 1-4	35.00	35.00	6.00	6.00
5 Collecting Delinquent Fees	5.00	5.00	-	-
6 Providing Refunds	10.00	10.00	-	-
Subtotal, Activities 5 and 6	15.00	15.00	-	-
Total Time Increments Claimed for Activities 1-6	50.00	50.00	6.00	6.00

* For FY 2010-11 and FY 2011-12 the district did not use time increments to determine time spent on reimbursable activities 2 and 3. Instead, the district claimed bulk hours spent by various district staff on these activities.

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

In applying the time allowances, the district did not report the correct number of students related to the various reimbursable activities. We recalculated reimbursable activities using the correct number of students (multiplier). We also made adjustments to the average productive hourly rates that were used in the district's claims. Based on this information, we found that the district overstated salaries and benefits by \$2,775,560 for the audit period.

Activities 1 through 4—Activity 1-Referencing student accounts, Activity 2-Calculating and collecting the fee, Activity 3-Answering students' questions, Activity 4-Updating student records

Time Increments

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform the reimbursable activities. Based on these certifications, the district developed the following time allowances per student: 35.00 minutes for its FY 2007-08 and FY 2008-09 claims and over 9.00 minutes for its FY 2010-11 and FY 2011-12 claims. For FY 2010-11 and FY 2011-12 the district did not use time increments to determine claimed costs for Activity 2 and 3. Instead, the district estimated the number of hours spent by various staff on these activities and added them together. Based on our observations, we found that the time allowances claimed for these activities for these years were overstated regardless of how they were computed by the district.

We held discussions with various district representatives during the audit in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Cashier's Office performing the reimbursable activities as well as other non-mandated activities. Over several days, we observed 253 payment transactions processed by district staff. Of these, 89 involved the payment of enrollment fees encompassing Activities 1 through 4 totaling 182.75 minutes. The average time to perform all four activities was 2.05 minutes or approximately 0.51 minutes per activity.

We discussed with district representatives our intention to observe a sample of staff performing Activities 1 through 4 and we encouraged the Cashier Supervisor to watch over the auditors while we documented our observations. However, the Supervisor did not watch over or comment on our observation process. Over the course of several days, we documented the average time increments spent by district staff to perform the reimbursable activities based on our observations. We recorded the observations as they took place in the Cashier's Office.

Multiplier Calculation

Claimed

For Activities 1 through 4, the district claimed costs by multiplying the number of students (multiplier) by a uniform time allowance and an annual average productive hourly rate.

For FY 2007-08 and FY 2008-09, the district used the total number of students who enrolled as the multiplier for Activities 1, 3, and 4. The district provided Enrollment Fee Mandate Information summaries with the claims. However, we were unable to determine the actual methodology used by the district or the source of the statistics used to compute the multipliers. For Activity 2, the district used the number of students that paid enrollment fees as the multiplier. The district did not indicate whether the district used the "Student Total Headcount" summary report obtained from the CCCCCO's website or information extracted for the district's database system.

For FY 2010-11 and FY 2011-12, the district changed its methodology for the calculation of the multiplier. For Activities 1 and 4, the district continued to use the total number of students that enrolled as the multiplier. However, for Activity 2 and 3 the district did not provide the multiplier used in calculating allowable costs. The district simply provided the number of hours claimed for these activities based on handwritten notes made by the district's mandated cost consultant on copies of the claim forms without identifying the multiplier used.

Allowable

We updated the district's calculations of eligible students for Activities 1 and 3 based on the number of students enrolled as reported to the CCCCCO, less non-resident students and special admit students. The CCCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCCO

identifies the district's enrollment based on CCCCCO's MIS data element STD 7, codes A through G. The CCCCCO eliminates any duplicate students by term based on their Social Security numbers.

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

Fees Paid Online, by Telephone, and In-Person

The district provided a breakdown of the enrollment fees paid using the district's online system and in person for the audit period. Based on the information provided by the district, we found the percentage of enrollment fees paid in person at the Cashier's Office by dividing the fees paid in person by the total fees paid. We applied the percentage we calculated to the net enrollment number (the number of students enrolled less non-resident students, special admit students, and BOGG fee waiver recipients) to compute the number of enrollment fees paid in person. We then included the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver.

Productive Hourly Rates

We also found that the district overstated the average productive hourly rates used for Activities 1 through 4 in its claims for the audit period. The district did not provide support for the individual productive hourly rates nor the staff used to calculate average productive hourly rates. As explained in Finding 7 (misstated productive hourly rates), we recalculated the average productive hourly rates and made adjustments to the claimed rates based on salary and benefit rate reports provided by the district, and our analysis of the district employees actually involved, and the extent of their involvement, in calculating and collecting enrollment fee activities.

Activity 5—Collecting delinquent enrollment fees

Time Increments

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform reimbursable Activity 5. Based on these certifications, the district developed time allowances per student account of 5.00 minutes for FY 2007-08 and FY 2008-09 to collect delinquent enrollment fees in the Cashier's Office. The district did not provide a complete list of the time surveys used to estimate the time claimed for this activity. For FY 2010-11 and FY 2011-12, the district did not identify the minutes used to calculate the hours claimed for this activity in its claims.

We obtained an understanding of the process that the district has in place to perform this reimbursable activity. The district sends emails and letters twice per semester informing students of any delinquent enrollment fees. If the enrollment fees are unpaid after two years, the district sends the delinquent enrollment fee information to the California Community Colleges Chancellor's Office Tax Offset Program (COTOP) for collection.

We observed Activity 5 being performed during our observations at the Cashiers Office. Based on the procedures in place and the information gathered during our discussions with district representatives, we determined that this activity takes 4.67 minutes per delinquent enrollment fee to complete.

Multiplier Calculation

For Activity 5, the district claimed 27,181 delinquent accounts in FY 2007-08 and 35,328 delinquent accounts in FY 2008-09. The district did not identify the number of delinquent accounts used in its claims for FY 2010-11 or FY 2011-12 to calculate claimed costs. The district provided handwritten numbers in an Enrollment Fee Mandate Information form as the only support for the number of delinquent fees claimed.

We asked for the district to run new reports supporting the actual delinquent fees for the audit period. The district provided, and we accepted, the number of delinquent student accounts processed as follows:

- 570 delinquent accounts in FY 2007-08
- 765 delinquent accounts in FY 2008-09
- 483 delinquent accounts in FY 2010-11
- 880 delinquent accounts in FY 2011-12.

Productive Hourly Rates

Consistent with the information presented for Activities 1 through 4, the district also overstated the annual average productive hourly rates in its claims during the audit period for Activity 5. As explained in Finding 7 (misstated productive hourly rates), we recalculated the average productive hourly rates based on salary and benefit rate reports provided by the district, the district employees actually involved, and the extent of their involvement, in calculating and collecting enrollment fee activities, and made adjustments to the claimed rates as appropriate.

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

Time Increments

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform reimbursable Activity 6. Based on these certifications, the district developed time allowances per refund transaction of 10.00 minutes for

FY 2007-08 and FY 2008-09. The district did not provide a complete list of the time surveys used to estimate the time claimed for this activity. For FY 2010-11 and FY 2011-12, the district did not identify the minutes used to calculate the hours claimed for this activity in its claims.

We obtained an understanding of the process that the district has in place to perform this reimbursable activity. In order to obtain a refund, students are required to fill out a "Request for Refund" form. Students may request a credit back to the credit card they used to pay their enrollment fees or they may request a check. The student must indicate the type of refund he or she is requesting (fees paid by BOGG, reduction in semester units, course cancelled, student discount card, overpaid fees, drop out of school, parking permit, or any other reason). The staff can analyze whether or not a student is due a refund while the student is at the Cashier's Office window. If the student is entitled to a refund, the staff makes note of the request in the student's account. The Senior Account Clerks process the refunds and apply them back to the student's credit card or issues the refund checks.

We observed Activity 6 being performed during our observations at the Cashier's Office. Based on information obtained during our discussions with district staff, we found that the time claimed for this component during the audit period is overstated. We found that providing a refund for students who establish fee waiver eligibility after the enrollment fee has been collected takes 3.50 minutes.

Multiplier Calculation

For Activity 6, the district claimed 5,382 refunds in FY 2007-08 and 3,926 refunds in FY 2008-09. The district did not identify the number of refunds claimed in FY 2010-11 and FY 2011-12. For support, the district provided handwritten numbers on an Enrollment Fee Mandate Information form. The district did not provide any additional support for the number of refunds claimed.

We asked the district to run new reports supporting the number of refunds for students who establish fee waiver eligibility after the enrollment fee has been collected. The district provided and we accepted the number of refunds processed as follows:

- 4,616 refunds in FY 2007-08
- 3,959 refunds in FY 2008-09
- 3,444 refunds in FY 2010-11
- 4,553 refunds in FY 2011-12.

Productive Hourly Rates

Consistent with the information presented for Activities 1 through 4, the district also overstated the annual average productive hourly rates in its claims during the audit period for Activity 5. As explained in Finding 7 (misstated productive hourly rates), we recalculated the average

productive hourly rates based on salary and benefit rate reports provided by the district, the district employees actually involved, and the extent of their involvement, in calculating and collecting enrollment fee activities, and made adjustments to the claimed rates as appropriate.

Calculation of Time Increments Adjustment

The following table summarizes the minutes claimed and allowable for reimbursable Activities 1 through 6:

Reimbursable Activity	Claimed			
	FY 2007-08	FY 2008-09	FY 2010-11*	FY 2011-12*
1 Referencing Students Accounts	5.00	5.00	3.00	3.00
2 Calculating the Fee	15.00	15.00	-	-
3 Answering Questions	10.00	10.00	3.00	3.00
4 Updating Records	5.00	5.00	3.00	3.00
Subtotal, Activities 1-4	35.00	35.00	9.00	9.00
5 Collecting Delinquent Fees	5.00	5.00	-	-
6 Providing Refunds	10.00	10.00	-	-
Subtotal, Activities 5 and 6	15.00	15.00	-	-
Total Time Increments Claimed for Activities	50.00	50.00	9.00	9.00

Reimbursable Activity	Allowable			
	FY 2007-08	FY 2008-09	FY 2010-11	FY 2011-12
1 Referencing Students Accounts	0.52	0.52	0.52	0.52
2 Calculating the Fee	0.51	0.51	0.51	0.51
3 Answering Questions	0.51	0.51	0.51	0.51
4 Updating Records	0.51	0.51	0.51	0.51
Subtotal, Activities 1-4	2.05	2.05	2.05	2.05
5 Collecting Delinquent Fees	4.67	4.67	4.67	4.67
6 Providing Refunds	3.50	3.50	3.50	3.50
Subtotal, Activities 5 and 6	8.17	8.17	8.17	8.17
Total Time Increments Allowable for Activiti	10.22	10.22	10.22	10.22
Audit Adjustment	(39.78)	(39.78)	1.22	1.22

* Note: For FY 2010-11 and FY 2011-12 the district did not provide the time increments used to calculate the hours claimed. The actual time increments claimed is above 9.00 minutes. The summary included only the minutes that were identifiable.

Summary of Multiplier Adjustment

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

Reimbursable Activity	Claimed Multiplier	Allowable Multiplier	Adjusted Multiplier
1	211,763	175,456	(36,307)
2*	55,783	57,261	1,478
3*	111,869	175,456	63,587
4	211,733	57,261	(154,472)
5	62,509	4,061	(58,448)
6	9,308	16,572	7,264
Total	<u>662,965</u>	<u>486,067</u>	<u>(176,898)</u>

* Note: For FY 2010-11 and FY 2011-12 the district did not provide the multiplier claimed for Activity 2 and 3. The summary above includes the claimed multiplier that we identified.

Summary of Hours Adjustments

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

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

Reimbursable Activity	Hours Claimed	Hours Allowable	Adjusted Hours
1	14,318.12	1,520.62	(12,797.50)
2	18,513.75	486.72	(18,027.03)
3	25,478.83	1,491.38	(23,987.45)
4	14,315.62	486.72	(13,828.90)
5	6,236.08	316.07	(5,920.01)
6	12,723.33	966.70	(11,756.63)
Total	<u>91,585.73</u>	<u>5,268.21</u>	<u>(86,317.52)</u>

Calculation of Costs by Reimbursable Activities

For Activities 1 and 3, we multiplied the allowable minutes by net student enrollment to compute the number of hours spent to perform the activities for the audit period. We then multiplied the hours spent by the audited average productive hourly rates to compute allowable costs for salaries and benefits. We found net student enrollment by excluding non-residents and special part-time students from total student enrollment. The CCCCO's MIS identifies enrollment information based on student data that the district reported. The CCCCO 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 took into account the number of students who paid their enrollment fees using the district's on-line system or by telephone based on a report that was prepared for us by district staff.

For Activities 2 and 4, we multiplied the allowable minutes by the adjusted net student enrollment to compute the number of hours spent to perform the activities for the audit period. We then multiplied the hours spent by the audited productive hourly rates to compute allowable costs for salaries and benefits. To compute adjusted net student enrollment, we deducted from net student enrollment the number of students who were exempt from paying enrollment fees because they received a BOGG fee waiver. We obtained the number of students in the district who received BOGG fee waivers each year from the CCCCCO based on data the district reported. The CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F.

We applied the audited average productive hourly rates to the allowable hours per reimbursable activity. We found that salaries and benefits totaling \$108,951 are allowable and \$2,775,560 is unallowable.

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

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
1	518,266	32,146	(486,120)
2	644,840	10,219	(634,621)
3	753,746	31,528	(722,218)
4	518,265	10,219	(508,046)
5	222,603	4,441	(218,162)
6	226,791	20,398	(206,393)
Total	<u>2,884,511</u>	<u>108,951</u>	<u>(2,775,560)</u>

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

The district accepted the audit results as submitted.

**FINDING 2—
Enrollment fee waivers:
Adopting Procedures,
Recording, and
Maintaining Records
cost component –
unallowable ongoing
costs**

The district claimed \$211,012 in salaries and benefits related to adopting procedures, recording, and maintaining records related to enrollment fee waivers. We found that \$20,867 is allowable and \$190,145 is unallowable.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2007-08	\$ 105,506	\$ 5,343	\$ (100,163)
2008-09	105,506	5,546	(99,960)
2010-11	-	5,020	5,020
2011-12	-	4,958	4,958
Total, salaries and benefits	<u>\$ 211,012</u>	<u>\$ 20,867</u>	<u>\$ (190,145)</u>

Costs claimed for FY 2007-08 and FY 2008-09 are unallowable because they were based on estimates of time to perform the reimbursable activities totaling 5,375.30 hours spent by various financial aid staff. The district advised us that the hours claimed were based on estimates. In addition, the district was unable to provide support for the hours claimed by various district staff. The district did not claim any costs for FY 2010-11 and FY 2011-12.

We worked with the Director of Financial Aid to determine the tasks involved during the audit period to perform the reimbursable activities to adopt new district procedures based on changes in eligibility for BOGG fee waivers, store new BOGG fee-waiver records, and the time required to complete them.

The Director explained that General Financial Aid meetings occurred ten times per year for approximately 1.50 hours which included all Financial Aid Office staff and the Director of Financial Aid. The meetings were held to discuss policies, procedures, processing changes, and implementation issues which are all eligible activities related to complying with the Adopting Procedures, Recording, and Maintaining Records cost component. However, these meetings included other types of financial aid information topics which are not mandate-related. Therefore, based on our discussions with district representatives, we determined that the total time spent by staff in these meetings was equally divided between mandate- and non-mandate-related activities (45 minutes each).

The Director also explained that Early Admission Planning Meetings occurred five times per year during FY 2007-08 and FY 2008-09. In these meetings, various financial aid staff discussed updates related to processing BOGG fee waivers. We limited the allowable hours for these meetings to the Financial Aid Technician, who handles and is

responsible for the BOGG fee waivers at the district. In addition, monthly meetings also occurred in FY 2007-08 and FY 2008-09 between the Financial Aid Technician handling BOGG fee waivers and the full time hourly staff in the Financial Aid Office.

The following table summarizes the allowable hours by fiscal year for the reimbursable activity of the Adopting Procedures, Recording, and Maintaining Records cost component for each meeting described above based on the employee classifications in attendance at these meetings:

Meeting and Classifications	Fiscal Year				Total
	2007-08	2008-09	2010-11	2011-12	
General Financial Aid Meetings					
Director of Financial Aid	8.00	8.00	8.00	8.00	32.00
Financial Aid Staff	113.00	113.00	120.00	113.00	459.00
Early Admission Planning Meetings					
Financial Aid Technician	7.50	7.50	-	-	15.00
Monthly Meetings					
Financial Aid Technician	12.00	12.00	-	-	24.00
Hourly full time staff	12.00	12.00	-	-	24.00
	<u>152.50</u>	<u>152.50</u>	<u>128.00</u>	<u>121.00</u>	<u>554.00</u>

Accordingly, we calculated allowable costs for the audit period by applying the audited productive hourly rates to the allowable hours per employee classification to compute allowable costs. The district provided productive hourly rate information for district staff not originally claimed.

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

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

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

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

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.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District’s Response

The district accepted the audit results as submitted.

**FINDING 3—
Enrollment fee
waivers: Waiving
Student Fees cost
component – misstated
ongoing costs**

The district claimed \$1,232,016 in salaries and benefits for the Waiving Student Fees cost component during the audit period in accordance with Education Code section 76300, subdivisions (g) and (h), and waiving student fees for students who apply for and are eligible for BOGG fee waivers. We found that \$341,618 is allowable and \$890,398 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 the district reported to the CCCCCO. We made adjustments to the student data and also to the average productive hourly rates used in the district’s claims.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2007-08	\$ 458,184	\$ 72,102	\$ (386,082)
2008-09	533,843	69,954	(463,889)
2010-11	132,521	85,650	(46,871)
2011-12	107,468	113,912	6,444
Total, salaries and benefits	<u>\$1,232,016</u>	<u>\$341,618</u>	<u>\$ (890,398)</u>

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

- A. Waiving student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h). Waiving fees for students who apply for and are eligible for BOG fee waivers.

- i. Answering student's questions regarding enrollment fee waivers or referring them to the appropriate person for an answer. **[Activity 7]**
- ii. Receiving of waiver applications from students by mail, fax, computer online access, or in person, or in the form of eligibility information processed by the financial aid office. **[Activity 8]**
- iii. Evaluating each application and verification documents (dependency status, household size and income, SSI and TANF/CalWorks, etc.) for compliance with eligibility standards utilizing information provided by the student, from the student financial aid records (e.g., Free Application for Federal Student Aid (FAFSA), and other records. **[Activity 9]**
- iv. In the case of an incomplete application or incomplete documentation, notify the student of the additional required information and how to obtain that information. Hold student application and documentation in suspense file until all information is received. **[Activity 10]**
- v. In the case of an approved application, copy all documentation and file the information for further review or audit. Entering the approved application information into district records and/or notifying other personnel performing other parts of the process (e.g., cashier's office). Providing the student with proof of eligibility or an award letter, and file paper documents in the annual file. **[Activity 11]**
- vi. In the case of a denied application, reviewing an evaluating additional information and documentation provided by the student if the denial is appealed by the student. Provide written notification to the student of the results of the appeal or any change in eligibility status. **[Activity 12]**

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

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

Salaries and Benefits

The district claimed salaries and benefits during the audit period to waive student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h) and to waive fees for students who apply for and are eligible for BOGG fee waivers. For the audit period, the district claimed salaries and benefits for the six reimbursable activities under the Waiving Student Fees cost component using time allowances developed from the estimated time it took staff to complete reimbursable activities through the use of employees' annual survey forms.

Employees estimated the average time in minutes it took them to perform the reimbursable activities claimed per student per year on certification forms developed by the district's mandated cost consultant. The district did not provide a complete list of the staff that completed the survey forms supporting the average time increments for each of the reimbursable activities claimed. The district did not provide any source documentation based on actual data to support the estimated time allowances. In addition, the district provided no evidence indicating that the average time increments were verified for reasonableness.

As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff for the audit period were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Financial Aid Office that processes students' BOGG fee waiver applications. We documented the average time increments spent by district staff to perform these activities based on our observations.

In applying the time allowances, the district did not report the correct number of students who received BOGG fee waivers. We recalculated reimbursable activities using the correct number of students who received BOGG fee waivers (multiplier). We also made adjustments to the average productive hourly rates that were used in the district's claims. Based on this information, we determined that the district misstated salaries and benefits by \$890,398 for the audit period (overstated by \$896,842 in FY 2007-08, FY 2008-09, and FY 2010-11 and understated by \$6,444 in FY 2011-12).

Activities 7 through 12–BOGG Fee Waiver Application Processing

General Information

We found that the district may process some students multiple times if the student first applies for a BOGG fee waiver and is denied for BOGG fee waiver A or BOGG fee waiver B. The district receives paper BOGG fee waiver applications at the Financial Aid Department through its front counters, through the district's online BOGG fee waiver system, or through the U.S. Department of Education's Free Application for Federal Student Aid (FAFSA) online system.

Activity 7–Answering student questions

We observed Financial Aid Assistants, Student Services Assistants, and Financial Aid Specialists assist students who applied in person for a BOGG fee waiver. At the front counters, staff answer BOGG fee waiver questions, evaluate BOGG fee waiver applications, notify students of approved, incomplete, and denied applications, and/or inform students of additional information necessary to complete the BOGG fee waiver application.

Activity 8–Receiving enrollment fee waiver applications

In addition to the paper BOGG fee waiver applications noted above that are received at the Financial Aid Department, the district also receives information in digital form for students that applied for financial aid and qualified for a BOGG fee waiver using the FAFSA system.

Activity 9–Evaluating waiver applications and verifying documentation

The Financial Aid Assistants and Student Services Assistants evaluate the BOGG fee waiver applications coming through the front counters. However, the Financial Aid Specialists evaluate and verify the bulk of the BOGG fee waiver applications received by district staff, including evaluations of FAFSA applications received throughout the year. The district’s Financial Aid Office staff explained that data was downloaded twice daily during the audit period for BOGG fee waivers granted for students who applied for financial aid using the FAFSA system. Therefore, while evaluating the financial aid applications, district staff verifies BOGG fee waiver eligibility through the verification requirements required for financial aid applications.

We determined that the district may process and evaluate some students’ BOGG fee waiver applications multiple times if the student first applies for a BOGG fee waiver and is denied for BOGG fee waiver A or BOGG fee waiver B, or if the student turns in an incomplete paper BOGG fee waiver application.

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

District staff may review BOGG fee waiver applications at the front counter. If an application is incomplete, staff will guide the student through the various steps to complete the application in order to determine the student’s eligibility for a waiver of enrollment fees.

If a student previously submitted a BOGG fee waiver application electronically either through the district’s online or the FAFSA online system, a standard letter is prepared for the student addressing the conflicting and/or missing information. The staff enters notes in the student’s record. An image of the incomplete application and the letter sent to the student is imaged and saved into the student’s record. The district sends back the incomplete BOGG fee waiver application and a letter via US mail informing the student of the incomplete BOGG fee waiver application. The staff requires the student to come back with the BOGG fee waiver application and the letter to resume processing. The letter indicates that issues regarding incomplete BOGG fee waiver applications will not be conveyed via telephone.

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

If the district determines that a student is eligible for a BOGG fee waiver, staff posts the fee waiver and creates a “budget” for the student. In addition, during the FAFSA application process, the student’s

information is loaded into the district's student database from the FAFSA website. During the FAFSA application process, staff briefly reviews student information to ensure that a BOGG fee waiver is posted in the district's system. If the student is eligible for a BOGG fee waiver, staff posts the BOGG waiver to the student's account. Students who qualify for a BOGG fee waiver are notified of their eligibility automatically. The BOGG fee waiver applications are downloaded twice daily and emails are sent daily.

Activity 12–Appealing a denied BOGG fee waiver application

District staff explained that the district has no formal appeal process for denied BOGG fee waiver applications. According to the Financial Aid Director, there are very few denials. The denials usually result because the student's and/or parent(s)' income exceeds the eligibility threshold. If the waiver is denied, students are instructed to apply for financial aid using the FAFSA website.

Time Increments

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform the reimbursable activities. Based on these certifications, the district developed the following time allowances per student: 45.00 minutes for its FY 2007-08 and 2008-09 claims, and 30.00 minutes for its FY 2010-11 and FY 2011-12 claims. Based on our observations, we determined that the time allowances claimed for these years were overstated.

Front Counters

We held discussions with various district representatives during the audit in order to determine the procedures district staff followed to perform the reimbursable activities. We observed district staff at the front counters of the Financial Aid Office performing the reimbursable activities and other non-mandated activities. We documented the average time increments spent by district staff for the reimbursable activities. Over several days, we observed 96 students assisted by Financial Aid Office staff. Of these, we observed 73 enrollment fee waiver transactions processed by district staff encompassing Activities 7 through 11 at the front counters of the Financial Aid Office, totaling 186.46 minutes or 2.55 minutes for the activities in the front.

Back Counters

We also observed enrollment fee waiver applications processed by district staff in the back of the Financial Aid Office. A Financial Aid Specialist meets with students by appointment to discuss the status of their BOGG fee waiver application and to assist students with incomplete applications. For this activity, we observed 15 applications being processed totaling 42.16 minutes or 2.81 minutes for the activities in the back of the Financial Aid Office.

After combining the number of transactions processed at the front and back counters of the Financial Aid Office and the time required to complete them, we found that the average time spent by the district's Financial Aid Office staff to perform all five reimbursable activities was 5.36 minutes, or approximately 1.07 minutes per activity.

We discussed with district representatives our intention to observe a sample of staff performing Activities 7 through 11 and we encouraged the Director of Financial Aid to watch over the auditors while we documented our observations. We documented the average time increments spent by district staff to perform the reimbursable activities based on our observations. We reviewed the observations as they took place with the Director of Financial Aid. In order to provide an actual cost basis on which to determine allowable costs for the district's claims, we applied the results of our observations to all years of the audit period.

Summary of Time Increments Adjustment

The following table summarizes the minutes claimed and allowable for reimbursable Activities 7 through 12:

Reimbursable Activity	Claimed				Allowable
	FY 2007-08	FY 2008-09	FY 2010-11	FY 2011-12	Per Fiscal Year
7 Answering questions	5.00	5.00	2.00	3.00	1.07
8 Receiving applications	5.00	5.00	3.00	2.00	1.07
9 Evaluate applications	10.00	10.00	2.00	2.00	1.07
10 Incomplete applications - notification	-	-	3.00	3.00	1.07
11 Approved applications	10.00	10.00	10.00	10.00	1.08
12 Review waiver denials appealed by students	15.00	15.00	10.00	10.00	-
Total	45.00	45.00	30.00	30.00	5.36

Multiplier Calculation

Claimed

For Activities 7, 8 and 9, the district used the total number of students who requested a BOGG fee waiver in its claims for FY 2007-08, FY 2008-09, and FY 2010-11. However, the district changed its methodology in FY 2011-12 by using the number of students who requested a BOGG fee waiver only for Activity 8. The district calculated the multiplier for Activity 7 by multiplying 40% by the total number of students who requested a BOGG fee waiver.

For Activity 10 (incomplete BOGG fee waiver applications), the district calculated its multiplier as 5% (for FY 2007-08, FY 2008-09, and FY 2011-12) and 1% (for FY 2010-11) of the total number of students who requested a BOGG fee waiver.

For Activity 11 (approved applications), the district did not claim costs in FY 2007-08 and FY 2008-09. However, the district claimed 8,557 approved BOGG fee waiver applications for FY 2010-11 and 9,987 for FY 2011-12. The district did not identify how it determined these multipliers for approved applications.

For Activity 12 (appeal of denied applications), the district calculated its multiplier for the number of appeals filed by students by multiplying 0.52% in FY 2007-08 and 1% in FY 2008-09 by the total number of students who requested a BOGG fee waiver. For FY 2010-11 and FY 2011-12, the district claimed 1% of the approved applications as the number of appeals.

As noted in Finding 1, we were unable to determine the source of the multipliers claimed. The district provided handwritten notes prepared by the district's consultant for the multipliers claimed.

Allowable

For Activities 7 through 10, we applied the time required to perform the reimbursable activities by the number of students who received BOGG fee waivers, according to statistics provided by the CCCCCO. Using data that the district reported, the CCCCCO identified the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. For Activities 7 through 10, we adjusted the CCCCCO information by including students whose fee waiver applications were incomplete at the end of the year as well as denied applications, based on information provided by the district. However, the district indicated that it would not provide a count of the incomplete and denied applications at the end of the year.

For Activity 11 (approved BOGG fee waiver applications), we applied the time required to perform the reimbursable activity by the number of students who received BOGG fee waivers according to statistics provided by the CCCCCO. Using data that the district reported, the CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F.

For Activity 12 (appeals of denied BOGG fee waiver applications), we did not apply any time increments to the number of students that appealed denied BOGG fee waiver applications. The district did not claim any costs for this activity during the audit period and, as noted previously, the district does not have any process in place to review denied BOGG fee waiver applications. Rather than conduct a review of denied BOGG fee waivers, district staff instructs students to apply for financial aid.

Summary of Multiplier Adjustment–Number of BOGG Fee Waivers

The following table summarizes the claimed, allowable, and adjustment amounts for the multiplier for each reimbursable activity that took place at the district for reimbursable Activities 7 through 12:

Reimbursable Activity	Claimed Multiplier	Allowable Multiplier	Adjusted Multiplier
7	104,491	99,995	(4,496)
8	122,720	99,995	(22,725)
9	93,803	99,995	6,192
10	5,171	99,995	94,824
11	18,544	94,825	76,281
12	910	-	(910)
Adjusted Multiplier	<u>345,639</u>	<u>494,805</u>	<u>149,166</u>

Productive Hourly Rates

We found that the district misstated the average productive hourly rates used for Activity 7 through 11 in its claims for the audit period. The district did not provide support for the individual productive hourly rates nor the staff used to calculate average productive hourly rates. As explained in Finding 7 (misstated productive hourly rates), we recalculated the average productive hourly rates based on salary and benefit rate reports provided, employees actually involved, and the extent of their involvement, in waiving student fee activities, and made adjustments to the claimed rates.

Summary of Hours Adjustments

We multiplied the allowable minutes per reimbursable activity by the multiplier for the reimbursable activities (as identified in the table above) to determine the number of allowable hours for reimbursable Activities 7 through 11.

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

Reimbursable Activity	Hours Claimed	Hours Allowable	Adjusted Hours
7	7,096.03	1,783.25	(5,312.78)
8	7,903.18	1,783.25	(6,119.93)
9	12,221.16	1,783.25	(10,437.91)
10	656.35	1,783.25	1,126.90
11	3,090.67	1,706.86	(1,383.81)
12	195.15	-	(195.15)
Total	<u>31,162.54</u>	<u>8,839.86</u>	<u>(22,322.68)</u>

Calculation of Costs by Reimbursable Activities

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We found that salaries and benefits totaling \$341,618 are allowable, and \$890,404 is unallowable.

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

<u>Reimbursable Activity</u>	<u>Salaries and Benefits Claimed</u>	<u>Salaries and Benefits Allowable</u>	<u>Audit Adjustment</u>
7	\$ 284,442	\$ 68,904	\$ (215,538)
8	309,505	68,904	(240,601)
9	507,673	68,904	(438,769)
10	26,790	68,904	42,114
11	95,981	66,002	(29,979)
12	7,631	-	(7,631)
Total	<u><u>\$ 1,232,022</u></u>	<u><u>\$ 341,618</u></u>	<u><u>\$ (890,404)</u></u>

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District’s Response

The district accepted the audit results as submitted.

**FINDING 4—
Enrollment fee waivers:
Reporting the Number
and Amounts of BOGG
Fee Waivers to the
CCCCO cost component
– understated ongoing
costs**

The district claimed \$631 in salaries and benefits related to the Reporting the Numbers of and Amounts of BOGG Fee Waivers to the CCCCCO cost component. We found that \$34,910 is allowable and the district understated costs by \$34,279. The costs are understated because the district understated the hours required to perform the reimbursable activity and omitted employee classifications that performed the reimbursable activity.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits			
2007-08	\$ 297	\$ 8,222	\$ 7,925
2008-09	334	8,084	7,750
2010-11	-	9,079	9,079
2011-12	-	9,525	9,525
Total, salaries and benefits	<u>\$ 631</u>	<u>\$ 34,910</u>	<u>\$ 34,279</u>

Salaries and Benefits

Costs Claimed

The district claimed salaries and benefits for reporting the numbers and amounts of BOGG fee waivers to the CCCCCO. The district estimated it took 5 hours per year spent by the Director of Financial Aid to perform the reimbursable activity for FY 2007-08 and FY 2008-09. The district did not include any costs for this activity in its claims for FY 2010-11 and FY 2011-12.

Allowable Costs

We interviewed the district's staff to determine the procedures followed to perform the reimbursable activities for this cost component. They explained that the Director of Financial Aid, the Senior Financial Aid Specialist, and a Senior Systems Analyst were involved in the reimbursable activity of reporting BOGG fee waiver information to the CCCCCO during the audit period. Based on our discussions with district staff and our understanding of the reimbursable activities performed, we found that 40 hours spent by the Director of Financial Aid and the Senior Financial Aid Specialist and 60 hours spent by the Senior Systems Analyst during each year of the audit period was reasonable to perform the reimbursable activity.

Reporting the Numbers and Amounts of BOGG Fee Waivers to the CCCCCO

The reporting process is performed once per year for the district. The Systems Analyst performs an initial review of the file to be submitted to the CCCCCO. The Director of Financial Aid may also need to clarify data or inconsistencies in the data. Reporting is based on MIS data element SF21. The Senior Systems Analyst reports the numbers and amounts of BOGG fee waivers annually to the CCCCCO for the Enrollment Fee Waivers program. The district electronically submits files to the CCCCCO

that contain the numbers and amounts of BOGG fee waivers the district processed during the year. The CCCCCO reviews the electronic files the district submitted to ensure that the information is complete and accurate. If the reporting passes the CCCCCO inspection, no further work is necessary.

However, an error report may be generated if discrepancies, incomplete information, and/or inaccurate information are found. If an error report is generated, the district must repeat the report process. In this case, the district downloads the error report from the CCCCCO's website and the Senior Financial Aid Specialist and the Senior Systems Analyst research the discrepancies. Once the review process is complete, the error report is resubmitted to the CCCCCO's server. This error reporting process may be performed multiple times until the CCCCCO determines that all of the reported information is complete and accurate.

Using the productive hourly rate for each classification that performs the reimbursable activity each year of the audit period, we calculated allowable costs of \$34,910, and found that claimed costs were understated by \$34,279 for the audit period.

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

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

The parameters and guidelines (section IV.B.2.c – Reimbursable Activities – Enrollment Fee Waivers – Ongoing Activities) allow ongoing activities related to “Reporting to the CCC the number of and amounts provided for BOG fee waivers.”

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

The district accepted the audit results as submitted.

**FINDING 5—
Unallowable indirect
costs**

The district claimed indirect costs during the audit period totaling \$1,240,842 for enrollment fee collection activities and \$624,612 for enrollment fee waiver activities. For enrollment fee collection activities, we found that \$36,605 is allowable and \$1,204,237 is unallowable. For enrollment fee waiver activities, we found that \$127,487 is allowable and \$497,125 is unallowable. The costs are unallowable because the district incorrectly applied its indirect cost rates to employee benefits for the audit period (\$50,514) and claimed unallowable salaries and benefits identified in Findings 1 through 3 (\$1,650,848).

Indirect Cost Rates Claimed

For the audit period, the district claimed indirect cost rates based on indirect cost rates that it prepared using the principles of Title 2, *Code of Federal Regulations*, Part 220 (Office of Management and Budget (OMB) Circular A-21). The Department of the Navy approved the district's indirect cost rates, which were based on direct salaries and wages. However, the district improperly applied its indirect cost rates to salaries, wages, and benefits. Accordingly, we limited our application of the indirect cost rates to allowable salaries and wages.

In order to determine allowable costs based on salaries and wages, we used the district's Annual Financial and Budget Report (CCFS-311), based on information that it reported to the CCCCCO, to calculate the district's benefit rate for each year of the audit period. Using this information, we calculated the applicable allowable salary amounts and applied the district's indirect cost rates only to those amounts.

Enrollment Fee Collection

The district claimed \$1,240,842 for indirect costs during the audit period, related to salaries and benefits claimed for enrollment fee collection activities. We found that \$36,605 is allowable and \$1,204,237 is unallowable. We found that \$11,208 is unallowable because the district incorrectly applied indirect cost rates to employee benefits and \$1,193,029 is unallowable because the district overstated salaries and benefits identified in Finding 1.

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

Fiscal Year	Enrollment Fee Collection				Audit Adjustment
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Indirect Cost	Allowable Indirect Cost	
2007-08	43.77%	43.77%	\$ 465,141	\$ 9,813	\$ (455,328)
2008-09	43.77%	43.77%	480,479	8,865	(471,614)
2010-11	40.96%	40.96%	156,647	8,102	(148,545)
2011-12	40.00%	40.00%	138,575	9,825	(128,750)
Total			<u>\$ 1,240,842</u>	<u>\$ 36,605</u>	<u>\$ (1,204,237)</u>

Enrollment Fee Waivers

The district claimed \$624,612 for indirect costs during the audit period, related to salaries and benefits claimed for enrollment fee collection activities. We found that \$127,487 is allowable and \$497,125 is unallowable. We found that \$39,306 is unallowable because the district incorrectly applied indirect cost rates to employee benefits and \$457,819 is unallowable because the district overstated salaries and benefits identified in Findings 2 and 3.

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

Fiscal Year	Enrollment Fee Waivers				
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Indirect Cost	Allowable Indirect Cost	Audit Adjustment
2007-08	43.77%	43.77%	\$ 247,091	\$ 29,022	\$ (218,069)
2008-09	43.77%	43.77%	280,253	29,103	(251,150)
2010-11	40.96%	40.96%	54,281	31,141	(23,140)
2011-12	40.00%	40.00%	42,987	38,221	(4,766)
Total			<u>\$ 624,612</u>	<u>\$ 127,487</u>	<u>\$ (497,125)</u>

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

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

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District’s Response

The district accepted the audit results as submitted.

**FINDING 6—
Overstated offsetting
reimbursements**

The district claimed offsetting reimbursements totaling \$319,027 for enrollment fee collection and \$1,042,776 for enrollment fee waivers. We found that offsetting reimbursements were overstated by \$168,675 for enrollment fee collection and overstated by \$544,334 for enrollment fee waivers. The offsetting reimbursements were overstated because the district did not report the correct amounts that it received from the CCCCCO for enrollment fee collection or enrollment fee waivers in any fiscal year of the audit period.

Enrollment Fee Collection

For the audit period, the district claimed offsetting reimbursements for enrollment fee collection related to the offset of 2% of revenues from enrollment fees. We obtained a report from the CCCCCO confirming enrollment fee collection offsets paid to the district totaling \$342,192 during the audit period.

We limited the application of offsetting reimbursements received by the district to allowable direct and indirect costs. Allowable direct and indirect costs applicable for the audit period related to enrollment fee collection activities totaled \$150,352; therefore, this amount represents offsets applicable to the audit period. The district claimed \$319,027. Consequently, the district overstated offsetting reimbursements by \$168,675.

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

Enrollment Fee Collection Offsets					
Fiscal Year	Allowable Direct and Indirect Costs	Offsets Claimed (A)	Actual Offsets Confirmed by the CCCCCO	Offset Applicable to Audit (B)	Audit Adjustment (B-A)
2007-08	\$ 38,959	\$ (75,727)	\$ (78,937)	\$ (38,959)	\$ 36,768
2008-09	34,508	(77,163)	(86,706)	(34,508)	42,655
2010-11	34,054	(74,213)	(88,045)	(34,054)	40,159
2011-12	42,831	(91,924)	(88,504)	(42,831)	49,093
Total	\$ 150,352	\$ (319,027)	\$ (342,192)	\$ (150,352)	\$ 168,675

Consequently, the unused portion of offsetting reimbursements related to enrollment fee collection costs total \$191,840 as follows:

Fiscal Year	Actual Offsets Confirmed by the CCCCCO	Offset Applicable to Audit	Unused Portion of Offsets
2007-08	\$ (78,937)	\$ (38,959)	\$ (39,978)
2008-09	(86,706)	(34,508)	(52,198)
2010-11	(88,045)	(34,054)	(53,991)
2011-12	(88,504)	(42,831)	(45,673)
Total	\$ (342,192)	\$ (150,352)	\$ (191,840)

Enrollment Fee Waivers

For the audit period, the district claimed offsetting reimbursements for enrollment fee waivers related to 7% or 2% of the enrollment fees waived and \$0.91 per credit unit waived. We obtained a report from the CCCCCO confirming enrollment fee waivers offsets paid to the district totaling \$874,908 for the audit period.

We also limited the application of offsetting reimbursements received by the district to allowable direct and indirect costs. Allowable direct and indirect costs applicable to the audit period related to enrollment fee waivers activities totaled \$526,018. The offsets applicable to the audit totaled \$498,442. The district claimed \$1,042,776. Consequently, the district overstated offsetting reimbursements by \$544,334. The following table summarizes the misstated enrollment fee waiver offsetting reimbursements by fiscal year:

Enrollment Fee Waivers Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs	Offsets Claimed (A)	Actual Offsets Confirmed by the CCCCCO	Offset Applicable to Audit (B)	Audit Adjustment (B-A)
2007-08	\$ 115,223	\$ (165,960)	\$ (87,647)	\$ (87,647)	\$ 78,313
2008-09	113,289	(181,528)	(243,394)	(113,289)	68,239
2010-11	130,890	(324,527)	(267,217)	(130,890)	193,637
2011-12	166,616	(370,761)	(276,650)	(166,616)	204,145
Total	\$ 526,018	\$(1,042,776)	\$ (874,908)	\$ (498,442)	\$ 544,334

Consequently, the unused portion of offsetting reimbursements related to enrollment fee waivers costs total \$376,466 as follows:

Fiscal Year	Actual Offsets Confirmed by the CCCCCO	Offset Applicable to Audit	Unused Portion of Offsets
2007-08	\$ (87,647)	\$ (87,647)	\$ -
2008-09	(243,394)	(113,289)	(130,105)
2010-11	(267,217)	(130,890)	(136,327)
2011-12	(276,650)	(166,616)	(110,034)
Total	\$ (874,908)	\$ (498,442)	\$ (376,466)

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

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

Enrollment Fee Collection Program:

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

Enrollment Fee Waiver Program:

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

July 1, 1999 to July 4, 2000:

- For low income students² or recipients of public assistance³, or dependents or surviving spouses of National Guard soldiers killed in the line of duty⁴ as defined:
 - an offset identified in Education Code section 76300, subdivision (m), that requires the community college Board of Governors, from funds in the annual budget act, to allocated to community college two percent (2%) of the fees waived, under subdivision (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined] of section 76300; and
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined), or dependents or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived:
 - from funds provided in the annual State Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to seven (7%) of the fee waivers provided, pursuant to subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined].⁵

Beginning July 5, 2000:

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

- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined) for whom fees are waived:
 - requires the Board of Governors to allocate from funds in the annual State Budget Act ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or California National Guard soldiers killed in the line of duty as defined].
- Any budget augmentation received under the Board Financial Assistance Program Administrative Allowance, or any other state budget augmentation received for administering the fee waiver program.

Note – Footnotes 2 through 5 are included in the parameters and guidelines to provide additional clarification.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

The district accepted the audit results as submitted.

FINDING 7— Misstated productive hourly rates for Calculating and Collecting Enrollment Fees and Waiving Student Fees cost components

For the audit period, the district calculated average productive hourly rates separately for employees involved in calculating and collecting enrollment fees (Activities 1 through 6) and for employees involved in waiving student fees (Activities 7 through 12). The district overstated the average productive hourly rates in its claims for calculating and collecting enrollment fees (Activities 1 through 6) and misstated the average productive hourly rates in its claims for waiving student fees (Activities 7 through 12).

Claimed Rates

Enrollment Fee Collection – Calculating and Collecting Student Enrollment Fees (Activities 1 through 6)

For FY 2007-08 and FY 2008-09, the district only provided handwritten notes of the average rates used in its claims. For both years, the district claimed costs using an average productive hourly rate of \$38.96.

For FY 2010-11 and FY 2011-12, the district used the average productive hourly rate of \$31.06 for full-time district staff and \$8.74 for hourly district staff. To calculate the \$31.06 rate for full-time staff, the district used the average productive hourly rate of a Cashier Supervisor (\$34.83) and Senior Account Clerk (\$27.28) to arrive at the average of \$31.06. However, the district was inconsistent in the way that it applied these rates to the reimbursable activities, as noted below:

- Activity 1 – Full-time staff
- Activity 2 – Full-time and hourly staff
- Activity 3 – Full-time and hourly staff
- Activity 4 – Full-time staff
- Activity 5 – (FY 2010-11) Full-time staff
- Activity 5 – (FY 2011-12) Full-time and hourly staff plus a Senior Account Clerk (\$36.74) and an Account Technician (\$33.03)
- Activity 6 – Full-time and hourly staff

Enrollment Fee Waivers—Waiving Student Fees (Activities 7 through 12)

For FY 2007-08 and FY 2008-09, the district only provided handwritten notes of the average productive hourly rates used in its claims. The district used an average rate of \$39.76 for “various Financial Aid Office staff” in its claim for FY 2007-08 and a rate of \$44.82 in its claim for FY 2008-09.

For FY 2010-11 and FY 2011-12, the district claimed the same average productive hourly rate of \$31.06 that it used for calculating and collecting fees. As noted above, the district calculated this rate by using the productive hourly rates of a Cashier Supervisor (\$34.83) and Senior Account Clerk (\$27.28), to arrive at the average of \$31.06.

Allowable Rates

Enrollment Fee Collection – Calculating and Collecting Student Enrollment Fees (Activities 1 through 6)

The district provided Classified Employee List salary reports for the audit period. We first identified all staff in the Cashier’s Office and calculated individual productive hourly rates. To calculate the rates, we used salary information from the annual Classified Employee List salary reports along with the benefit rate that we calculated using the California Community Colleges Annual Financial and Budget (CCFS-311) Reports provided by the district.

We used the individual productive hourly rates that we calculated to determine weighted average productive hourly rates for staff that performed the activities of calculating and collecting enrollment fees.

We determined the following level of involvement by district staff to perform the reimbursable activities:

- **Student Hourly Workers** – We allocated a 57.14% weight of involvement for the Student Hourly Worker classification during the audit period based on our observations of the reimbursable activities being performed in the district’s Cashier’s Office.
- **Supervisory Staff** – We determined the weight of involvement in the reimbursable activities by Supervisory Staff (12.50% for FY 2007-08, 11.76% for FY 2008-09, and 13.33% for both FY 2010-11 and FY 2011-12. The weight of involvement that we determined for this classification is representative of the supervisory positions to the total staff identified in the department.
- **Classified Salaried Staff** – We allocated the remaining weight of involvement to Classified Salaried Staff (30.36% for FY 2007-08, 31.10% for FY 2008-09, and 29.53% for both FY 2010-11 and FY 2011-12.

We provided the district with our analysis and requested that they advise us of any issues involving the weight of involvement percentages that we calculated or any variances for the different years during the audit period. The district did not provide any feedback on our analysis.

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

Fiscal Year	Enrollment Fee Collections			
	Claimed Average		Audited Average	
	Productive Hourly Rate	Productive Hourly Rate	Productive Hourly Rate	Difference
2007-08	\$ 38.96	\$ 20.43		\$ (18.53)
2008-09	38.96	20.50		(18.46)
2010-11	31.06	21.53		(9.53)
2011-12	31.06	21.98		(9.08)

Enrollment Fee Waivers–Waiving Student Fees (Activities 7 through 12)

The district provided Classified Employee List salary reports for the audit period. We first identified all staff in the Financial Aid Office and calculated individual productive hourly rates. To calculate the rates, we used the annual Classified Employee List salary reports along with the benefit rate calculated using the California Community Colleges Annual Financial and Budget (CCFS-311) Reports provided by the district.

We used the individual productive hourly rates that we calculated to determine weighted average productive hourly rates for staff that performed the activities of waiving student enrollment fees.

We determined the following level of involvement by district staff to perform the reimbursable activities:

- **Student Hourly Workers** – We did not allocate any weight of involvement for the Student Hourly Worker classification during the audit period. The district indicated that student hourly workers are used to help process BOGG fee waivers. However, we did not observe any student hourly workers performing the reimbursable activities during fieldwork at the college. Therefore, we did not have a basis to allocate any weight of involvement for this employee classification.
- **Supervisory Staff** – We determined the weight of involvement in the reimbursable activities by Supervisory Staff (6.67% for FY 2007-08 and FY 2011-12, and 5.88% for FY 2008-09 and FY 2010-11). The weight of involvement for this classification is representative of the supervisory positions to the total staff identified in the department.
- **Classified Salaried Staff** – We allocated the remaining weight of involvement to Classified Salaried Staff, 93.33% for FY 2007-08 and FY 2011-12, and 94.12% for FY 2008-09 and FY 2010-11.

We provided the district with our analysis and requested that they advise us of any issues involving the weight of involvement percentages that we calculated for the different years during the audit period. The district did not provide any feedback on our analysis.

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

Fiscal Year	Enrollment Fee Waivers			
	Claimed Average		Audited Average	
	Productive Hourly Rate	Productive Hourly Rate	Productive Hourly Rate	Difference
2007-08	\$ 39.76	\$ 37.02	\$ (2.74)	
2008-09	44.82	36.57	(8.25)	
2010-11	31.06	39.07	8.01	
2011-12	31.06	40.87	9.81	

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

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the reimbursable activities performed and the hours devoted to each reimbursable activity performed.

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

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

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that productive hourly rates are calculated in accordance with the guidance provided in the SCO's claiming instructions.

District's Response

The district accepted the audit results as submitted.

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



FINANCE DEPARTMENT

Wayne C. Yanda, CPA
Director of Finance

Governing Board
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January 26, 2015

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

RE: Southwestern Community College Enrollment Fee Collection and Waivers Program

Dear Mr. Spano:

We received the State Controller's Office report for the Enrollment Fee Collection and Waivers Program for fiscal years 2008, 2009, 2011, and 2012 and we accept the results as submitted.

Thank you for all of your assistance throughout this process.

Regards,

Wayne C. Yanda, CPA
Director of Finance

c: Rosa Gonzalez
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