

CITRUS COMMUNITY COLLEGE DISTRICT

Audit Report

ENROLLMENT FEE COLLECTION AND WAIVERS PROGRAM

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

July 1, 1998, through June 30, 2012



BETTY T. YEE
California State Controller

March 2015



BETTY T. YEE
California State Controller

March 13, 2015

Joanne Montgomery
President, Board of Trustees
Citrus Community College District
1000 West Foothill Boulevard
Glendora, CA 91741-1899

Dear Ms. Montgomery:

The State Controller's Office audited the costs claimed by the Citrus Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and California Code of Regulations, Title 5, sections 58501-58503, 58611-58613, and 58630) for the period of July 1, 1998, through June 30, 2012.

The district claimed \$6,023,304. The entire amount is unallowable primarily 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 fee waivers; misstated indirect costs rates; claimed unallowable indirect costs; misstated eligible offsetting revenues; and misstated employee productive hourly rates. The State paid the district \$271,120, which the State will offset from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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/sa

cc: Claudette Dain, Vice President, Finance and Administrative Services
Geraldine Perri, Ed.D, Superintendent/President
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Citrus Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and California Code of Regulations, Title 5, sections 58501-58503, 58611-58613, and 58630) for the period of July 1, 1998, through June 30, 2012.

The district claimed \$6,023,304. The entire amount is unallowable primarily 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; misstated indirect costs rates; claimed unallowable indirect costs; misstated eligible offsetting revenues; and misstated employee productive hourly rates. The State paid the district \$271,120, which the State will offset from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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 BOGGs and to adopt procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5, California Code of Regulations.

The sections were added and/or amended by:

- Chapter 1, Statutes of 1984;
- Chapters 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;
- Chapters 153 and 422, Statutes of 1994;
- Chapter 308, Statutes of 1995;
- Chapter 63, Statutes of 1996; and
- Chapter 72, Statutes of 1999.

On April 24, 2003, the Commission on State Mandates (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 Board of Governors waivers.
- Adopting procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5 of the California Code of Regulations; and including in the procedures the rules for retention of support documentation which will enable an independent determination regarding accuracy of the district's certification of need for financial assistance.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The 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, 1998, 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, Citrus Community College District claimed \$6,023,304 for costs of the Enrollment Fee Collection and Waivers Program. Our audit found that the entire amount is unallowable.

Views of Responsible Officials

We issued a draft audit report on February 20, 2015. Claudette Dain, Vice President, Finance and Administrative Services, responded by letter dated March 2, 2015 (Attachment), disagreeing with the audit results. This final audit report includes the district's response

Restricted Use

This report is solely for the information and use of the Citrus 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

March 13, 2015

**Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 1998, through June 30, 1999</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 675	\$ 675	\$ —	
Staff training	2,838	2,838	—	
Calculating and collecting enrollment fees	202,301	18,831	(183,470)	Findings 3, 10
Total direct costs	205,814	22,344	(183,470)	
Indirect costs	106,508	4,779	(101,729)	Finding 8
Total direct and indirect costs	312,322	27,123	(285,199)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(15,807)	(37,046)	(21,239)	Finding 9
Adjustment for unused portion of offsets ²	—	9,923	9,923	Finding 9
Total program costs	<u>\$ 296,515</u>	—	<u>\$ (296,515)</u>	
Less amount paid by the State		<u>(33,554)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (33,554)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 768	\$ 768	\$ —	
Staff training	3,258	—	(3,258)	Finding 2
Calculating and collecting enrollment fees	244,527	19,929	(224,598)	Findings 3, 10
Total direct costs	248,553	20,697	(227,856)	
Indirect costs	111,501	3,879	(107,622)	Finding 8
Total direct and indirect costs	360,054	24,576	(335,478)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(11,107)	(35,552)	(24,445)	Finding 9
Adjustment for unused portion of offsets ²	—	10,976	10,976	Finding 9
Total - enrollment fee collection	<u>348,947</u>	—	<u>(348,947)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	158	158	—	
Staff training	158	158	—	
Adopt procedures, record and maintain records	264	264	—	
Waiving student fees	40,404	8,422	(31,982)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	3,180	3,180	—	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 1999, through June 30, 2000 (continued)</u>				
Total direct costs	44,164	12,182	(31,982)	
Indirect costs	19,811	2,283	(17,528)	Finding 8
Total direct and indirect costs	63,975	14,465	(49,510)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(44,164)	(65,510)	(21,346)	Finding 9
Adjustment for unused portion of offsets ²	—	51,045	51,045	Finding 9
Total - enrollment fee waivers	19,811	—	(19,811)	
Total program costs	<u>\$ 368,758</u>	—	<u>\$ (368,758)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2000, through June 30, 2001</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 601	\$ 601	\$ —	
Staff training	3,507	—	(3,507)	Finding 2
Calculating and collecting enrollment fees	263,375	21,138	(242,237)	Findings 3, 10
Total direct costs	267,483	21,739	(245,744)	
Indirect costs	119,565	3,980	(115,585)	Finding 8
Total direct and indirect costs	387,048	25,719	(361,329)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(15,182)	(34,852)	(19,670)	Finding 9
Adjustment for unused portion of offsets ²	—	9,133	9,133	Finding 9
Total - enrollment fee collection	371,866	—	(371,866)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	162	162	—	
Staff training	162	162	—	
Adopt procedures, record and maintain records	271	271	—	
Waiving student fees	43,683	9,305	(34,378)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	3,263	3,263	—	
Total direct costs	47,541	13,163	(34,378)	
Indirect costs	21,252	2,410	(18,842)	Finding 8
Total direct and indirect costs	68,793	15,573	(53,220)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(47,542)	(74,983)	(27,441)	Finding 9
Adjustment for unused portion of offsets ²	—	59,410	59,410	Finding 9

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2000, through June 30, 2001 (continued)</u>				
Total - enrollment fee waivers	21,251	—	(21,251)	
Total program costs	<u>\$ 393,117</u>	—	<u>\$ (393,117)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2001, through June 30, 2002</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 598	\$ 598	\$ —	
Staff training	3,778	—	(3,778)	Finding 2
Calculating and collecting enrollment fees	294,230	25,893	(268,337)	Findings 3, 10
Total direct costs	298,606	26,491	(272,115)	
Indirect costs	136,581	4,723	(131,858)	Finding 8
Total direct and indirect costs	435,187	31,214	(403,973)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(13,850)	(35,627)	(21,777)	Finding 9
Adjustment for unused portion of offsets ²	—	4,413	4,413	Finding 9
Total - enrollment fee collection	421,337	—	(421,337)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	193	193	—	
Staff training	193	193	—	
Adopt procedures, record and maintain records	321	321	—	
Waiving student fees	59,105	11,201	(47,904)	Findings 7, 10
Reporting BOGG fee waiver data to CCCC	3,874	3,874	—	
Total direct costs	63,686	15,782	(47,904)	
Indirect costs	29,129	2,814	(26,315)	Finding 8
Total direct and indirect costs	92,815	18,596	(74,219)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(63,685)	(69,904)	(6,219)	Finding 9
Adjustment for unused portion of offsets ²	—	51,308	51,308	Finding 9
Total - enrollment fee waivers	29,130	—	(29,130)	
Total program costs	<u>\$ 450,467</u>	—	<u>\$ (450,467)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2002, through June 30, 2003</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 721	\$ 721	\$ —	
Staff training	4,306	—	(4,306)	Finding 2
Calculating and collecting enrollment fees	329,025	26,045	(302,980)	Findings 3, 10
Total direct costs	334,052	26,766	(307,286)	
Indirect costs	139,367	5,586	(133,781)	Finding 8
Total direct and indirect costs	473,419	32,352	(441,067)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(14,292)	(36,258)	(21,966)	Finding 9
Adjustment for unused portion of offsets ²	—	3,906	3,906	Finding 9
Total - enrollment fee collection	459,127	—	(459,127)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	210	210	—	
Staff training	210	210	—	
Adopt procedures, record and maintain records	351	351	—	
Waiving student fees	70,405	22,278	(48,127)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	4,230	4,230	—	
Total direct costs	75,406	27,279	(48,127)	
Indirect costs	31,461	5,693	(25,768)	Finding 8
Total direct and indirect costs	106,867	32,972	(73,895)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(75,407)	(81,637)	(6,230)	Finding 9
Adjustment for unused portion of offsets ²	—	48,665	48,665	Finding 9
Total - enrollment fee waivers	31,460	—	(31,460)	
Total program costs	<u>\$ 490,587</u>	—	<u>\$ (490,587)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 771	\$ 771	\$ —	
Staff training	4,361	—	(4,361)	Finding 2
Calculating and collecting enrollment fees	266,519	23,991	(242,528)	Findings 3, 10
Total direct costs	271,651	24,762	(246,889)	
Indirect costs	123,683	4,492	(119,191)	Finding 8

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
July 1, 2003, through June 30, 2004 (continued)				
Total direct and indirect costs	395,334	29,254	(366,080)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(25,251)	(52,362)	(27,111)	Finding 9
Adjustment for unused portion of offsets ²	—	23,108	23,108	Finding 9
Total - enrollment fee collection	370,083	—	(370,083)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	229	229	—	
Staff training	229	229	—	
Adopt procedures, record and maintain records	382	382	—	
Waiving student fees	67,996	21,049	(46,947)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	4,610	4,610	—	
Total direct costs	73,446	26,499	(46,947)	
Indirect costs	33,441	4,807	(28,634)	Finding 8
Total direct and indirect costs	106,887	31,306	(75,581)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(73,447)	(92,975)	(19,528)	Finding 9
Adjustment for unused portion of offsets ²	—	61,669	61,669	Finding 9
Total - enrollment fee waivers	33,440	—	(33,440)	
Total program costs	<u>\$ 403,523</u>	—	<u>\$ (403,523)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
July 1, 2004, through June 30, 2005				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 1,406	\$ 1,406	\$ —	
Staff training	1,262	1,262	—	
Calculating and collecting enrollment fees	333,334	27,768	(305,566)	Findings 3, 10
Total direct costs	336,002	30,436	(305,566)	
Indirect costs	136,350	12,132	(124,218)	Finding 8
Total direct and indirect costs	472,352	42,568	(429,784)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(47,151)	(74,967)	(27,816)	Finding 9
Adjustment for unused portion of offsets ²	—	32,399	32,399	Finding 9
Total - enrollment fee collection	425,201	—	(425,201)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
July 1, 2004, through June 30, 2005 (continued)				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	254	254	—	
Staff training	254	254	—	
Adopt procedures, record and maintain records	300	300	—	
Waiving student fees	87,060	27,759	(59,301)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	3,616	3,616	—	
Total salaries and benefits	91,484	32,183	(59,301)	
Indirect costs	37,125	12,828	(24,297)	Finding 8
Total direct and indirect costs	128,609	45,011	(83,598)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(91,485)	(132,925)	(41,440)	Finding 9
Adjustment for unused portion of offsets ²	—	87,914	87,914	Finding 9
Total - enrollment fee waivers	37,124	—	(37,124)	
Total program costs	<u>\$ 462,325</u>	—	<u>\$ (462,325)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
July 1, 2005, through June 30, 2006				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 2,060	\$ 2,060	\$ —	
Staff training	1,796	1,796	—	
Calculating and collecting enrollment fees	235,571	22,428	(213,143)	Findings 3, 10
Total direct costs	239,427	26,284	(213,143)	
Indirect costs	97,207	11,010	(86,197)	Finding 8
Total direct and indirect costs	336,634	37,294	(299,340)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(44,819)	(74,934)	(30,115)	Finding 9
Adjustment for unused portion of offsets ²	—	37,640	37,640	Finding 9
Total - enrollment fee collection	291,815	—	(291,815)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	92	92	—	
Staff training	92	92	—	
Adopt procedures, record and maintain records	1,934	1,934	—	
Waiving student fees	86,825	30,400	(56,425)	Findings 7, 10

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2005, through June 30, 2006 (continued)</u>				
Total direct costs	88,943	32,518	(56,425)	
Indirect costs	36,110	13,622	(22,488)	Finding 8
Total direct and indirect costs	125,053	46,140	(78,913)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(88,943)	(121,884)	(32,941)	Finding 9
Adjustment for unused portion of offsets ²	—	75,744	75,744	Finding 9
Total - enrollment fee waivers	36,110	—	(36,110)	
Total costs	327,925	—	(327,925)	
Less late filing penalty	—	—	—	
Total program costs	<u>\$ 327,925</u>	—	<u>\$ (327,925)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 35,330	\$ 1,375	\$ (33,955)	Finding 1
Staff training	32,477	—	(32,477)	Finding 2
Calculating and collecting enrollment fees	159,428	19,917	(139,511)	Findings 3, 10
Total direct costs	227,235	21,292	(205,943)	
Indirect costs	119,208	8,996	(110,212)	Finding 8
Total direct and indirect costs	346,443	30,288	(316,155)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(52,906)	(67,838)	(14,932)	Finding 9
Adjustment for unused portion of offsets ²	—	37,550	37,550	Finding 9
Total - enrollment fee collection	293,537	—	(293,537)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	193	193	—	
Staff training	193	193	—	
Adopt procedures, record and maintain records	1,932	1,932	—	
Waiving student fees	122,010	27,996	(94,014)	Findings 7, 10
Total direct costs	124,328	30,314	(94,014)	
Indirect costs	65,221	12,808	(52,413)	Finding 8

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2006, through June 30, 2007 (continued)</u>				
Total direct and indirect costs	189,549	43,122	(146,427)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(123,718)	(136,017)	(12,299)	Finding 9
Adjustment for unused portion of offsets ²	—	92,895	92,895	Finding 9
Total - enrollment fee waivers	65,831	—	(65,831)	
Total program costs	<u>\$ 359,368</u>	—	<u>\$ (359,368)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2007, through June 30, 2008</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 16,125	\$ —	\$ (16,125)	Finding 1
Staff training	10,137	—	(10,137)	Finding 2
Calculating and collecting enrollment fees	229,438	26,157	(203,281)	Findings 3, 10
Total direct costs	255,700	26,157	(229,543)	
Indirect costs	134,141	11,425	(122,716)	Finding 8
Total direct and indirect costs	389,841	37,582	(352,259)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(43,662)	(66,165)	(22,503)	Finding 9
Adjustment for unused portion of offsets ²	—	28,583	28,583	Finding 9
Total - enrollment fee collection	346,179	—	(346,179)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	3,587	—	(3,587)	Finding 4
Staff training	3,379	—	(3,379)	Finding 5
Adopt procedures, record and maintain records	6,041	—	(6,041)	Finding 6
Waiving student fees	212,070	42,093	(169,977)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	453	453	—	
Total direct costs	225,530	42,546	(182,984)	
Indirect costs	118,313	18,584	(99,729)	Finding 8
Total direct and indirect costs	343,843	61,130	(282,713)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(151,186)	(129,619)	21,567	Finding 9
Adjustment for unused portion of offsets ²	—	68,489	68,489	Finding 9
Total - enrollment fee waivers	192,657	—	(192,657)	
Total program costs	<u>\$ 538,836</u>	—	<u>\$ (538,836)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2008, through June 30, 2009</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 2,974	\$ 2,974	\$ —	
Staff training	14,281	—	(14,281)	Finding 2
Calculating and collecting enrollment fees	356,732	42,785	(313,947)	Findings 3, 10
Total direct costs	373,987	45,759	(328,228)	
Indirect costs	177,756	18,505	(159,251)	Finding 8
Total direct and indirect costs	551,743	64,264	(487,479)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(41,587)	(68,782)	(27,195)	Finding 9
Adjustment for unused portion of offsets ²	—	4,518	4,518	Finding 9
Total - enrollment fee collection	510,156	—	(510,156)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	7,406	—	(7,406)	Finding 4
Staff training	7,272	—	(7,272)	Finding 5
Adopt procedures, record and maintain records	19,218	—	(19,218)	Finding 6
Waiving student fees	113,193	42,626	(70,567)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	2,603	2,603	—	
Total direct costs	149,692	45,229	(104,463)	
Indirect costs	71,148	18,291	(52,857)	Finding 8
Total direct and indirect costs	220,840	63,520	(157,320)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(149,691)	(127,106)	22,585	Finding 9
Adjustment for unused portion of offsets ²	—	63,586	63,586	Finding 9
Total - enrollment fee waivers	71,149	—	(71,149)	
Total program costs	<u>\$ 581,305</u>	—	<u>\$ (581,305)</u>	
Less amount paid by the State		(89,490)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (89,490)</u>		
<u>July 1, 2009, through June 30, 2010</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 1,622	\$ 1,622	\$ —	
Staff training	7,453	—	(7,453)	Finding 2
Calculating and collecting enrollment fees	355,737	45,123	(310,614)	Findings 3, 10
Total direct costs	364,812	46,745	(318,067)	
Indirect costs	155,847	21,222	(134,625)	Finding 8

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2009, through June 30, 2010 (continued)</u>				
Total direct and indirect costs	520,659	67,967	(452,692)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(71,526)	(71,526)	—	
Adjustment for unused portion of offsets ²	—	3,559	3,559	Finding 9
Total - enrollment fee collection	449,133	—	(449,133)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	7,261	161	(7,100)	Finding 4
Staff training	6,856	—	(6,856)	Finding 5
Adopt procedures, record and maintain records	31,086	—	(31,086)	Finding 6
Waiving student fees	232,706	42,605	(190,101)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	2,440	2,440	—	
Total direct costs	280,349	45,206	(235,143)	
Indirect costs	119,764	20,523	(99,241)	Finding 8
Total direct and indirect costs	400,113	65,729	(334,384)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(171,190)	(145,314)	25,876	Finding 9
Adjustment for unused portion of offsets ²	—	79,585	79,585	Finding 9
Total - enrollment fee waivers	228,923	—	(228,923)	
Total program costs	<u>\$ 678,056</u>	—	<u>\$ (678,056)</u>	
Less amount paid by the State		(148,076)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (148,076)</u>		
<u>July 1, 2010, through June 30, 2011</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 1,656	\$ 1,656	\$ —	
Staff training	5,370	—	(5,370)	Finding 2
Calculating and collecting enrollment fees	299,445	36,719	(262,726)	Findings 3, 10
Total direct costs	306,471	38,375	(268,096)	
Indirect costs	143,491	16,467	(127,024)	Finding 8
Total direct and indirect costs	449,962	54,842	(395,120)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(66,462)	(66,463)	(1)	Finding 9
Adjustment for unused portion of offsets ²	—	11,621	11,621	Finding 9
Total - enrollment fee collection	383,500	—	(383,500)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
July 1, 2010, through June 30, 2011 (continued)				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	6,920	—	(6,920)	Finding 4
Staff training	6,506	—	(6,506)	Finding 5
Adopt procedures, record and maintain records	31,040	—	(31,040)	Finding 6
Waiving student fees	150,197	52,371	(97,826)	Findings 7, 10
Reporting BOGG fee waiver data to CCCCCO	3,042	3,042	—	
Total direct costs	197,705	55,413	(142,292)	
Indirect costs	92,566	23,778	(68,788)	Finding 8
Total direct and indirect costs	290,271	79,191	(211,080)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(215,406)	(162,742)	52,664	Finding 9
Adjustment for unused portion of offsets ²	—	83,551	83,551	Finding 9
Total - enrollment fee waivers	74,865	—	(74,865)	
Total program costs	<u>\$ 458,365</u>	—	<u>\$ (458,365)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
July 1, 2011, through June 30, 2012				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 3,006	\$ 3,006	\$ —	
Staff training	2,922	2,922	—	
Calculating and collecting enrollment fees	147,069	34,500	(112,569)	Findings 3, 10
Total direct costs	152,997	40,428	(112,569)	
Indirect costs	67,884	17,813	(50,071)	Finding 8
Total direct and indirect costs	220,881	58,241	(162,640)	
Less offsetting savings and reimbursements:				
Enrollment fee collections	(6,724)	(72,704)	(65,980)	Finding 9
Adjustment for unused portion of offsets ²	—	14,463	14,463	Finding 9
Subtotal - Enrollment Fee Collection	214,157	—	(214,157)	
Enrollment Fee Waiver				
Waiving student fees	—	60,018	60,018	Findings 7, 10
Total direct costs	—	60,018	60,018	
Indirect costs	—	26,444	26,444	Finding 8

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2011, through June 30, 2012 (continued)</u>				
Total direct and indirect costs	—	86,462	86,462	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	—	(143,031)	(143,031)	Finding 9
Adjustment for unused portion of offsets ²	—	56,569	56,569	Finding 9
Total - enrollment fee waivers	—	—	—	
Total program costs	<u>\$ 214,157</u>	—	<u>\$ (214,157)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 1998, through June 30, 2012</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	\$ 68,313	\$ 18,233	\$ (50,080)	
Staff training	97,746	8,818	(88,928)	
Calculating and collecting enrollment fees	<u>3,716,731</u>	<u>391,224</u>	<u>(3,325,507)</u>	
Total direct costs	3,882,790	418,275	(3,464,515)	
Indirect costs	<u>1,769,089</u>	<u>145,009</u>	<u>(1,624,080)</u>	
Total direct and indirect costs	5,651,879	563,284	(5,088,595)	
Less enrollment fee collection offsets			—	
Enrollment fee collection	(470,326)	(795,076)	(324,750)	
Adjustment for unused portion of offset ²	—	231,792	231,792	
Total - enrollment fee collection	<u>5,181,553</u>	—	<u>(5,181,553)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	26,665	1,652	(25,013)	
Staff training	25,504	1,491	(24,013)	
Adopt procedures, record and maintain records	93,140	5,755	(87,385)	
Waiving student fees	1,285,654	398,123	(887,531)	
Reporting BOGG fee waiver data to CCCCO	<u>31,311</u>	<u>31,311</u>	—	
Total direct costs	1,462,274	438,332	(1,023,942)	
Indirect costs	<u>675,341</u>	<u>164,885</u>	<u>(510,456)</u>	
Total direct and indirect costs	2,137,615	603,217	(1,534,398)	
Less offsetting saving and Reimbursements:				
Enrollment fee waiver	(1,295,864)	(1,483,647)	(187,783)	
Adjustment for unused portion of offset ²	—	880,430	880,430	
Total - enrollment fee waivers	<u>841,751</u>	—	<u>(841,751)</u>	
Total program costs	<u>\$ 6,023,304</u>	—	<u>\$ (6,023,304)</u>	
Less amount paid by the State		<u>(271,120)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (271,120)</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.

Findings and Recommendations

**FINDING 1—
Enrollment Fee
Collection: Preparing
Policies and Procedures
Cost Component –
Unallowable One-time
Costs**

The district claimed \$68,313 in salaries and benefits during the audit period for the one-time activity of preparing district policies and procedures for the collection of enrollment fees. We found that \$18,233 is allowable and \$50,080 is unallowable.

Costs claimed for FY 2006-07 and FY 2007-08 are primarily unallowable because the costs were based on estimates of 1,014 hours for fiscal year (FY) 2006-07 and 479 hours for FY 2007-08 spent by five district staff members to perform the reimbursable activity. However, based on the district's response to the draft audit report, we revised allowable costs by \$1,375 for FY 2006-07 to reflect costs incurred for changes in state laws. See the SCO's comments to this finding for the specifics. We did not review costs claimed for the other years, as the costs were below our materiality threshold. For costs to be reimbursable more than once, the district must provide actual cost documentation supporting the extent to which it incurred costs for preparing district policies and procedures that resulted from changes in state law. Activities undertaken by the district to update its own policies and procedures regarding the collection of enrollment fees are unallowable.

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

Fiscal Year	Claimed Costs	Allowable Costs	Audit Adjustment
FY 1998-99	\$ 675	\$ 675	\$ -
FY 1999-2000	768	768	-
FY 2000-01	601	601	-
FY 2001-02	598	598	-
FY 2002-03	721	721	-
FY 2003-04	771	771	-
FY 2004-05	1,406	1,406	-
FY 2005-06	2,060	2,060	-
FY 2006-07	35,330	1,375	(33,955)
FY 2007-08	16,125	-	(16,125)
FY 2008-09	2,974	2,974	-
FY 2009-10	1,622	1,622	-
FY 2010-11	1,656	1,656	-
FY 2011-12	3,006	3,006	-
Total cost	\$ 68,313	\$ 18,233	\$ (50,080)

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

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of

such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited, employee time records or time logs, sign in sheets, invoices, and receipts.

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

The parameters and guidelines (section IV.A.1.a – Reimbursable Activities – Enrollment Fee Collection – One-time Activities–Policies and Procedures) state that the preparation of policies and procedures is reimbursable as a one-time activity for the collection of enrollment fees.

The parameters and guidelines (section V – Claim Preparation and Submission – Salaries and Benefits) also state that salaries and benefits are reimbursable if claimants "Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed."

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 parameters and guidelines state that preparing district policies and procedures is reimbursable as a one-time activity. When there is a need to update a policy or procedure, this is a new one-time activity. There is no stated requirement to distinguish this work as a result of changes to District procedures (e.g., new accounting system software) or changes in state law as asserted by the draft audit report. Regardless, there have been numerous changes in state law as a result in changes in the enrollment fee amounts, among other things, over the years. The language of Education Code Section 76300 changed frequently and the subject matter of the relevant Title 5, CCR, sections may have been updated by the Board of Governors.

This mandate activity was not observable by the auditor. The District written policies and program procedures are the work product for this activity and were available to the auditor to evaluate the hours claimed. This staff time should either be reinstated or reevaluated to evaluate the hours claimed to changes to state laws and District accounting software.

SCO's Comments

We increased allowable costs for FY 2006-07 by \$1,375, from \$0 to \$1,375, to reflect allowable costs incurred for changes made to state laws applicable for that year.

The district states in its response that "When there is a need to update a policy or procedure, this is a new one-time activity. There is no stated requirement to distinguish this work as a result of changes to District procedures...or changes in state law..." We disagree. The Final Staff Analysis and Proposed Parameters and Guidelines (Item 9) addressed during the January 26, 2006, Commission on State Mandates hearing for this mandated program states on page 5 that:

The claimant proposed that the activities of preparing policies and procedures be reimbursable activities. Staff found that preparing policies and procedures is reasonable to comply with the mandate. However, staff finds that updates to the policies and procedures would be subject to changes in the community college district's policy rather than state law, and would not be reimbursable. Therefore, staff modified this section to delete updating the policies and procedures and to specify that preparation of policies and procedures is a one-time activity.

Therefore, this issue was decided more than nine years ago, when the parameters and guidelines were first adopted.

The district states that "written policies and program procedures are the work product for this activity and were available to the auditor to evaluate the hours claimed." We disagree. The district did not provide evidence related to written policies and program procedures that were updated supporting costs claimed for any fiscal year of the audit period. The district then states that "this staff time should either be reinstated or reevaluated to evaluate the hours claimed to changes to state laws and District accounting software." However, only updates made to district accounting software due to changes made in applicable state laws are reimbursable.

Based on information that we obtained from the California Community Colleges Chancellor's Office (CCCCO), changes were made to enrollment fees chargeable by districts for FY 1998-99, FY 1999-2000, FY 2003-04, FY 2004-05, FY 2006-07, FY 2009-10, and FY 2011-12. The audit report identifies that policies and procedures costs claimed totaling \$8,248 for all of those years, except FY 2006-07, are already allowable.

As noted above, changes were made to state laws applicable to FY 2006-07 that are not reflected in allowable costs. For FY 2006-07, the district claimed \$35,330 to prepare district policies and procedures based on 1,044 estimated hours spent by district staff to perform the activity. The district's FY 2006-07 claim was filed after the initial filing period for the mandated program. Therefore, actual cost documentation should have been available to support these costs instead of the time estimates provided by the district. Regardless, we recognize that allowable costs were incurred by the district for that year. As also noted above, allowable costs for the six years in which there were changes to state law totaled \$8,248, which averages \$1,375 per year. Therefore, we adjusted allowable costs for FY 2006-07 by \$1,375, from \$0 to \$1,375, to reflect costs incurred for changes in state laws.

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

The district claimed \$97,746 in salaries and benefits during the audit period for the activity of training district staff who implement the program on the procedures for the collection of enrollment fees (one-time per employee). We found that \$8,818 is allowable and \$88,928 is unallowable.

Costs claimed for FY 1999-2000, FY 2000-01, FY 2001-02, FY 2002-03, FY 2004-05, FY 2006-07, FY 2007-08, FY 2008-09, FY 2009-10, and FY 2010-11 are based on 2,515.5 estimated hours spent by various district staff members to perform the one-time reimbursable activity. We did not review costs claimed for the other years as the costs were below our materiality threshold.

The costs are unallowable because the district claimed estimated costs and did not provide documentation related to the nature of the training provided, the length of the training, which employees attended the training, or whether any of the training costs related to the trainers' time. In addition, the activity is reimbursable only on a one-time basis per employee and costs were claimed for several district staff members multiple times in district claims covering a 14-year period. For costs to be reimbursable, the district will need to provide actual cost documentation supporting the extent that it incurred costs for training new district staff tasked with implementing the program on the procedures for the collection of enrollment fees, as well as costs incurred for district staff who provided the training.

For costs to be reimbursable more than once per employee, the district must provide actual cost documentation supporting the extent that it incurred costs for training district staff that resulted from changes in state law.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1998-99	\$ 2,838	\$ 2,838	\$ -
1999-2000	3,258	-	(3,258)
2000-01	3,507	-	(3,507)
2001-02	3,778	-	(3,778)
2002-03	4,306	-	(4,306)
2003-04	4,361	-	(4,361)
2004-05	1,262	1,262	-
2005-06	1,796	1,796	-
2006-07	32,477	-	(32,477)
2007-08	10,137	-	(10,137)
2008-09	14,281	-	(14,281)
2009-10	7,453	-	(7,453)
2010-11	5,370	-	(5,370)
2011-12	2,922	2,922	-
Total, salaries and benefits	\$ 97,746	\$ 8,818	\$ (88,928)

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.)

Section IV.A.1.b states that staff training is reimbursable as a one-time cost per employee for training district staff who implement the program based on the procedures for the collection of enrollment fees. Consistent with the Final Staff Analysis for policies and procedures, training existing staff for changes in the community college district’s policies and procedures is not reimbursable.

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

Recommendation

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 finding does not distinguish the amounts between the staff time disallowed for trainee staff claimed more than once by name or for hours claimed without sufficient documentation as to the content of the training. The audit report ostensibly disallows training time for employees who were claimed more than once during the fourteen fiscal years in the audit period. However, it should be considered that the content of the training would change over the span of years; thus, new content would be a new one-time activity for any repeat staff members. The language of Education Code Section 76300 changed frequently and the subject matter of the relevant Title 5, CCR, sections may have been updated by the Board of Governors. It should also be anticipated that the name of the supervisors or managers conducting the training would appear in the claims for several years either for individual job training or meetings. There should be no blanket disallowance of staff time for persons whose name appears more than once, whether a new or existing employee, without a determination of whether the subject matter of the training was duplicate [sic] of previously claimed training activities.

The audit report also ostensibly disallowed claimed time for lack of supporting documentation. The District provided documentation in the form of declarations, which are acceptable source documentation. The audit does not indicate how this documentation was not "actual cost documentation." This staff time should either be reinstated or reevaluated to compare the hours claimed with changes to state laws and District procedures, as well as addressing the eligibility of time reported by a supervisor for training new staff.

SCO's Comments

The finding and recommendation remain unchanged.

The district states that "The District provided documentation in the form of declarations, which are acceptable source documentation." We disagree. The parameters and guidelines state that declarations are corroborating documents that cannot be substituted for source documents.

The district also states that "the audit does not indicate how this documentation was not 'actual cost documentation.'" We disagree. The audit report for this finding references section IV of the parameters and guidelines, which defines the terms actual costs, source documents, and corroborating documents. The district supported costs claimed only with corroborating documents rather than source documents.

The district states that "there should be no blanket disallowance of staff time for persons whose name appears more than once, whether a new or existing employee, without a determination of whether the subject matter of the training was a duplicate of previously claimed training activities." We cannot make this determination because the district did not provide information related to the nature of training activities conducted during the audit period, as already noted in the audit report. The district is responsible for supporting claimed costs.

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

The district claimed \$3,716,731 in salaries and benefits for the Calculating and Collecting Enrollment Fees cost component during the audit period. We found that \$391,224 is allowable and \$3,325,507 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 also made adjustments to the average productive hourly rates used in the district’s claims.

Based on the district’s comments to the draft audit report, we changed the allowable multiplier for Activities 6 for FY 2009-10 and FY 2011-12, resulting in an increase to allowable costs by \$7,658, from \$383,566 to \$391,224.

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

Salaries and benefits:			
1998-99	\$ 202,301	\$ 18,831	\$ (183,470)
1999-2000	244,527	19,929	(224,598)
2000-01	263,375	21,138	(242,237)
2001-02	294,230	25,893	(268,337)
2002-03	329,025	26,045	(302,980)
2003-04	266,519	23,991	(242,528)
2004-05	333,334	27,768	(305,566)
2005-06	235,571	22,428	(213,143)
2006-07	159,428	19,917	(139,511)
2007-08	229,438	26,157	(203,281)
2008-09	356,732	42,785	(313,947)
2009-10	355,737	45,123	(310,614)
2010-11	299,445	36,719	(262,726)
2011-12	147,069	34,500	(112,569)
Total, salaries and benefits	<u>\$ 3,716,731</u>	<u>\$ 391,224</u>	<u>\$ (3,325,507)</u>

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

- i. Referencing student accounts and records to determine course workload, status of payments, and eligibility for fee waiver. Printing a list of enrolled courses. **(Activity 1)**
- ii. Calculating the total enrollment fee to be collected. Identifying method of payment. Collecting cash and making change as necessary. Processing credit card and other non-cash payment transactions (however, any fees that may be charged to a community college district by a credit card company or bank are not reimbursable). Preparing a receipt for a payment received. **(Activity 2)**
- iii. Answering student's questions regarding enrollment fee collection or referring them to the appropriate person for an answer. **(Activity 3)**
- iv. Updating written and computer records for the enrollment fee information and providing a copy to the student. Copying and filing enrollment fee documentation. **(Activity 4)**
- v. Collecting delinquent enrollment fees, including written or telephonic collection notices to students, turning accounts over to collection agencies, or small claims court action. **(Activity 5)**
- vi. For students who establish fee waiver eligibility after the enrollment fee has been collected, providing a refund or enrollment fees paid and updating student and district records as required. (Refund process for change in program is not reimbursable). **(Activity 6).**

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

Salaries and Benefits

For FY 1998-99 through FY 2011-12, 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 estimated time it took staff to complete various activities through the use of employees' annual survey forms. For FY 1998-99 through FY 2011-12, employees estimated the average time in minutes it took them to perform the six claimed reimbursable activities per student per year on certification forms developed by the district's mandated cost consultant. The district did not claim any costs for providing a refund for students (identified as reimbursable activity 6 above) in its claims for FY 1998-99 through FY 2001-02.

The district also included costs totaling \$85,625 in its claim for FY 2011-12 within this cost component that were identified as "Developing, procuring, maintaining, and using electronic and information technology for enrollment fee collection." While not specifically identified in the parameters and guidelines as a reimbursable activity, we believe that the costs claimed were related to operating an online system for students to pay their enrollment fees. Our analysis of those costs appears after the discussion of reimbursable activities 1 through 6.

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

Reimbursable Activity	Claimed						FY
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05 & 2005-06
1 Referencing Students Accounts	6.9	7.8	8.2	8.6	8.0	6.5	6.5
2 Calculating the Fee	8.5	9.9	10.4	11.1	12.5	9.4	9.2
3 Answering Questions	5.7	5.8	5.8	5.8	5.5	5.5	5.6
4 Updating Records	4.0	4.5	4.5	4.2	4.1	4.2	3.9
Subtotal, Activities 1 & 4	25.1	28.0	28.9	29.7	30.1	25.6	25.2
5 Collecting Delinquent Fees	63.9	63.9	72.3	72.3	93.3	93.5	139.0
6 Providing Refunds	-	-	-	6.0	5.8	6.5	6.7
Subtotal, Activities 5 & 6	63.9	63.9	72.3	78.3	99.1	100.0	145.7
Total Time Increments Claimed for Activities 1-6	89.0	91.9	101.2	108.0	129.2	125.6	170.9

Reimbursable Activity	Claimed					
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
1 Referencing Students Accounts	2.7	2.6	5.0	5.5	4.7	4.8
2 Calculating the Fee	6.0	5.8	5.3	4.1	3.7	4.4
3 Answering Questions	5.5	5.4	4.9	5.2	5.4	5.7
4 Updating Records	3.2	4.0	3.3	3.1	3.3	3.7
Subtotal, Activities 1 & 4	17.4	17.8	18.5	17.9	17.1	18.6
5 Collecting Delinquent Fees	91.5	3.5	7.0	6.7	4	7.5
6 Providing Refunds	6.6	6.7	5.9	5.3	4.1	5.8
Subtotal, Activities 5 & 6	98.1	10.2	12.9	12.0	8.1	13.3
Total Time Increments Claimed for Activities 1-6	115.5	28.0	31.4	29.9	25.2	31.9

As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff were reasonable. We 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 Admissions and Records/Cashiers’ Office, which collects enrollment fees from students. We documented the average time increments spent by district staff to perform these activities based on our observations.

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 determined that the district overstated salaries and benefits by \$3,325,507 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 time allowances per student of 25.10 minutes for its FY 1998-99 claims, 28 minutes for FY 1999-2000 claims, 28.9 minutes for FY 2000-01 claims, 29.7 minutes for FY 2001-02 claims, 30.1 minutes for FY 2002-03 claims, 25.6 minutes for FY 2003-04 claims, 25.2 minutes for both FY 2004-05 and FY 2005-06 claims, 17.4 minutes for FY 2006-07 claims, 17.8 minutes for FY 2007-08 claims, 18.5 minutes for FY 2008-09 claims, 17.9 minutes for FY 2009-10 claims, 17.1 minutes for FY 2010-11 claims, and 18.6 minutes for FY 2011-12 claims. Based on our discussion with district representatives and on our observations of the reimbursable activities being performed, we determined that the time allowances claimed for these activities for these years were overstated.

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 Admissions and Records/Cashier's Office performing the reimbursable activities as well as other non-mandated activities. Over several days, we observed 102 payment transactions processed by district staff. Of these, 82 involved the payment of enrollment fees encompassing Activities 1 through 4, totaling 173.64 minutes. The average time to perform all four activities was 2.12 minutes, or 0.53 minutes per activity. We documented the average time increments spent by district staff to perform the reimbursable activities based on our observations. We met with the Director of Fiscal Services on May 24, 2013, to discuss the results our observations. During that discussion, we explained that we would be using the results of our observations of district staff performing reimbursable activities 1 through 4 to calculate allowable costs.

Multiplier Calculation

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 Activities 1 and 3, the district used the number of total enrolled students as the multiplier. In determining student enrollment, the district used student enrollment statistics provided by the Dean of Admissions and Financial Aid. For Activities 2 and 4, the district used the number of students who paid enrollment fees as the multiplier. The statistics used for Activities 2 and 4 also were provided by the Dean of Admissions and Financial Aid. However, the district did not deduct ineligible non-resident and special admit students (students who attend a community college while in high school pursuant to Education Code section 76001) from the multiplier used in its calculations.

We updated the district's calculations of eligible students for Activities 1 and 3 based on the number of students enrolled that it reported to the CCCCCO less non-resident students and special admit students. 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. We also deducted students who paid their enrollment through the district's online system based on information provided to us by the district.

District representatives stated that the district has provided an online service for students to pay enrollment fees since FY 2007-08. For FY 2007-08 through FY 2011-12, the district provided a breakdown of the number of students who paid their enrollment fees through the district's online system and in person. Based on the information provided by the district, we determined the percentage of enrollment fees paid at the Admissions and Records Office in person by dividing the number of fees paid in person by the total number of fees paid. We applied the percentages we calculated to the net enrollment numbers (the number of students enrolled less non-resident students, special admit students and BOGG fee waiver recipients) to determine 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 understated the annual average productive hourly rate in its claims for FY 2005-06 through FY 2011-12. As explained in Finding 10, we recalculated the annual average productive hourly rate based on employees involved in calculating and collecting enrollment fee activities using actual salary and benefit information provided to us by the district. As a result, we made adjustments as needed to the claimed average productive hourly rates.

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 a time allowance of 63.9 minutes per delinquent fee transaction for both FY 1998-99 and FY 1999-2000, 72.3 minutes for both FY 2000-01 and FY 2001-02, 93.3 minutes for FY 2002-03, 93.5 minutes for FY 2003-04, 139.0 minutes for both FY 2004-05 and FY 2005-06, 91.5 minutes for FY 2006-07, 3.5 minutes for FY 2007-08, 7.0 minutes for FY 2008-09, 6.7 minutes for FY 2009-10, 4.0 minutes for FY 2010-11, and 7.5 minutes for FY 2011-12.

We observed the reimbursable activity being performed at the district's Fiscal Services Office on September 15, 2014. We observed the District Bursar at the Fiscal Services Office run a process, using the district's software system, to identify students who had not paid enrollment fees and for whom a hold was to be placed on their accounts. These students were then sent a notice or letter to make payment to the district for past due enrollment fees. Based on our observations, we determined that the average time to process a student delinquent account is 3.68 minutes. We discussed the results of our observations with the district on September 17, 2014.

Multiplier Calculation

For Activity 5, the district provided, and we accepted, the number of delinquent student accounts processed during the audit period.

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

Time Increments

The district included costs for this activity in its claims for FY 2001-02 through FY 2011-12. 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 6 minutes for FY 2001-02, 5.8 minutes for FY 2002-03, 6.5 minutes for FY 2003-04, 6.7 minutes each for FY 2004-05, FY 2005-06, and FY 2007-08, 6.6 minutes for FY 2006-07, 5.9 minutes for FY 2008-09, 5.3 minutes for FY 2009-10, 4.1 for FY 2010-11, and 5.8 minutes for FY 2011-12.

District staff initiates student refunds in the Bursar's office. The process starts with the Bursar's Office performing the following activities:

- Researching student accounts per term
- Printing accounts with refunds due
- Separating printed information per term
- Manually reviewing each account
- Updating all accounts and sending data to the Information Systems Department for further review
- Recompiling completed information, and forwarding it to the Los Angeles County Office of Education (LACOE).
- Processing checks sent by LACOE to the district for the Vice President's signature
- Placing checks in envelopes for mailing to recipients by student workers.

We made no adjustments to the time increments claimed by the district for Activity 6. The district did not provide any actual cost information for the time to perform the tasks identified above. However, based on our discussions with district staff and observing one phase of the refund process being performed at the district, we believe that the district may have understated the total time required to perform this reimbursable activity.

Multiplier Calculation

For Activity 6, the district provided the number of refunds processed for students who established fee waiver eligibility after paying their enrollment fees. This information was available only for FY 2001-02 through FY 2011-12. We accepted the district's numbers for all years of the audit period except for FY 2009-10 and FY 2011-12. For FY 2009-10, the district claimed that it processed refunds for every student who received a BOGG fee waiver that year. For FY 2011-12, the district claimed that it processed refunds for 119% of the students that received BOGG waivers that year. Accordingly, we found that the multipliers claimed for FY 2009-10 and FY 2010-11 for this activity were unreasonable. However, based on the district's response to the draft audit report, we applied an "average" multiplier for FY 2009-10 and FY 2011-12. The average was based on the multiplier claimed for the other fiscal years of the audit period. See the SCO's comments to this finding for the specifics.

Productive Hourly Rates

Consistent with the information presented for Activities 1 through 5, the district also understated the annual average productive hourly rate in its claims for FY 2001-02 through FY 2011-12 for Activity 6. As explained in Finding 10, we recalculated the annual average productive hourly rate based on employees actually involved in calculating and collecting enrollment fee activities and made adjustments as needed to the claimed rates. The information used for the recalculation of rates was provided by the district's Budget Supervisor.

Calculation of Time Increments Adjustment

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

Reimbursable Activity	Allowable						
	FY 1998-99	FY 1999-2000	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Referencing Student Accounts	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Calculating the fee	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Answering Questions	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Updating Records	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Subtotal	2.12	2.12	2.12	2.12	2.12	2.12	2.12
Collecting Delinquent Fees	3.68	3.68	3.68	3.68	3.68	3.68	3.68
Providing Refunds	-	-	-	6.00	5.80	6.50	6.70
Subtotal	3.68	3.68	3.68	9.68	9.48	10.18	10.38
Total Claimed - Activities 1 - 6	5.80	5.80	5.80	11.80	11.60	12.30	12.50

Reimbursable Activity	Allowable						
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Referencing Student Accounts	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Calculating the fee	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Answering Questions	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Updating Records	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Subtotal	2.12	2.12	2.12	2.12	2.12	2.12	2.12
Collecting Delinquent Fees	3.68	3.68	3.68	3.68	3.68	3.68	3.68
Providing Refunds	6.70	6.60	6.70	5.90	5.30	4.10	5.80
Subtotal	10.38	10.28	10.38	9.58	8.98	7.78	9.48
Total Allowable - Activities 1-6	12.50	12.40	12.50	11.70	11.10	9.90	11.60

Calculation of Multiplier Adjustment

The following table summarizes the claimed, allowable, and audit 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	376,654	395,873	19,219
2	235,660	238,871	3,211
3	376,654	395,873	19,219
4	235,660	238,871	3,211
5	6,701	6,701	-
6	34,018	11,530	(22,488)
Total	1,265,347	1,287,719	22,372

Calculation of Hours Adjustments

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

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

Reimbursable Activity	Claimed Hours	Allowable Hours	Adjusted Hours
1	37,230.14	3,496.89	(33,733.25)
2	31,515.73	2,110.04	(29,405.69)
3	34,439.85	3,496.89	(30,942.96)
4	15,152.78	2,110.04	(13,042.74)
5	6,242.33	411.03	(5,831.30)
6	3,180.63	1,113.77	(2,066.86)
	<u>127,761.46</u>	<u>12,738.66</u>	<u>(115,022.80)</u>

Calculation of Costs by Reimbursable Activities

For Activities 1 and 3, we multiplied the allowable minutes by net student enrollment to determine the number of hours spent to perform the activities for FY 1998-99 through FY 2011-12. We then multiplied the hours spent by the audited productive hourly rates to determine allowable costs for salaries and benefits. We determined net student enrollment by excluding non-residents and special part-time students from total student enrollment. The CCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCO identifies the district's enrollment based on the CCCCO's MIS data element STD 7, codes A through G. The CCCCO eliminates any duplicate students based on their Social Security numbers. We also 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 determine the number of hours spent to perform the activities for FY 1998-99 through FY 2011-12. We then multiplied the hours spent by the audited productive hourly rates to determine allowable costs for salaries and benefits. To determine adjusted net student enrollment, we deducted from net student enrollment the number of students who were exempt from paying enrollment fees because they received BOGG fee waivers. We obtained the number of students in the district who received BOGG fee waivers each year from the CCCCO based on data the district reported. The CCCCO 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 determined that salaries and benefits were overstated by \$3,011,506 for activities 1 through 4.

For Activity 5, we observed the District Bursar perform the process of collecting delinquent fees and documented an average time increment of 3.68 minutes for the bursar to process each delinquent fee. We multiplied the allowable minutes (3.68) by the number of delinquent accounts that the district attempted to collect during the audit period. This was based on our observations of the reimbursable activity being performed and account collection information provided to us by the district during the audit. In our analysis, we applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that salaries and benefits were overstated by \$155,570 for Activity 5.

For Activity 6, we multiplied the allowable minutes by the number of refunds processed for students who received BOGG fee waivers after paying their enrollment fees. The allowable costs were based on our observation of the reimbursable activity being performed and the number of refunds processed by the district for those years. We determined the district understated salaries and benefits claimed by \$72,806 for the audit period.

Developing, Procuring, Maintaining and Using Electronic and Information Technology for Enrollment Fee Collection

The district included \$85,625 in salaries and benefits in its claim for FY 2011-12, based on estimates of 1,857 hours, for district staff to perform the activity of “Developing, Procuring, Maintaining, and using electronic and information technology (telecommunications, multimedia, etc.) equipment and software for the purpose of the collection of enrollment fees.” The district claimed the following staff and time increments for performing the activity:

- Temporary Cashiers = Two employees at 1 hour each
- Accounting Supervisor = 5 hours
- Account Clerk III = 350 hours
- District Bursar = 1,500 hours

We determined that the entire amount claimed is unallowable. The costs are unallowable primarily because the costs claimed are based on estimates. Using survey forms developed by the district’s mandated cost consultant, employees estimated the time required for “time spent by staff developing, procuring, maintaining, and using electronic and information technology (telecommunications, internet, multimedia, etc.) equipment and software for the purpose of the collection of enrollment fees.” We held discussions with the district bursar on May 25, 2013, and July 25, 2013, in order to gain an understanding of what district staff did to perform this activity. This activity is not identified as reimbursable in the parameters and guidelines.

We were told that the time claimed was used to:

- Purchase electronic equipment (card readers, credit card processors, and other equipment used to processing fee transactions);
- Running various MIS system reports;

- Tracking student payments;
- Coordinate with credit card companies;
- Coordinating with the district’s IT Department; and
- Various other activities.

We noted that the types of equipment described would be used by district Cashiers to process students’ enrollment fee payments along with the payment of other district fees and charges. However, the district did not claim cost for equipment purchases for FY 2011-12 or provide support that it did so. In addition, the district did not explain what specific MIS reports that it ran or how such reports were related to reimbursable activities. The district also explained that no time logs or worksheets were maintained to support the salaries and benefits costs claimed for this activity.

Overview

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that salaries and benefits totaling \$391,224 are allowable, and \$3,325,507 is unallowable for reimbursable Activities 1 through 6 for the audit period.

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>
1	\$ 1,064,770	\$ 108,558	\$ (956,212)
2	862,469	61,691	(800,778)
3	997,396	108,558	(888,838)
4	427,369	61,691	(365,678)
5	168,351	12,781	(155,570)
6	110,751	37,945	(72,806)
IT Costs	85,625	-	(85,625)
Total	<u>\$ 3,716,731</u>	<u>\$ 391,224</u>	<u>\$ (3,325,507)</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 recommended that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

A. Average activity time

Using certification forms developed by the District's mandated cost consultant, District staff who implemented the mandate responded to six time surveys conducted over the 14-year audit period. Each person estimated their average individual times required to perform each of the six reimbursable activities. These individual averages were then combined and averaged for each activity. These averages were rejected by the auditor for Activities 1 through 4 and accepted for Activities 5 and 6 even though the same forms and time survey methods were used.

For Activities 1 through 4, collecting the enrollment fee, the District claimed average times per student transaction of 17.1 to 30.1 minutes over the 14 years. The auditor decided that the good faith time estimates reported by District staff were "overstated." The auditor held discussions with program staff in order to determine the procedures used to perform the reimbursable activities. The auditor observed 102 transactions at the cashier's office over several days, of which 82 involved the payment of enrollment fees encompassing Activities 1 through 4, totaling 173.64 minutes. The average observed time to perform all four activities was 2.12 minutes; or 0.53 minutes per activity.

This 88% to 93% reduction in time allowed for in-person transactions is the first and largest source of the cost reduction. However, the auditor's observation sample size is statistically meaningless. The audited net enrollment transactions is 395,873 over the 14-year period, of which 102 student transactions were observed in 2013. The audit report does not state that the collection procedures observed necessarily matched the entire scope of the parameters and guidelines and these procedures may have changed over the years. For these and many other reasons the auditor's observation process does not constitute a representative "time study" sample.

For Activity 5, collecting delinquent fees, the District claimed what appears to be actual times, rather than average times, of 63.9 to 139 minutes for nine of the years, FY 1998-99 through 2006-07, and then an average time of 3.5 to 7.5 for the remaining five years, FY 2007-08 through 2011-12. The auditor observed the District Bursar run a process using the District's software system to identify students that had not paid enrollment fees and needed a hold placed on their accounts. These students were then sent a notice or letter to make payment to the district for past due enrollment fees. The auditor determined that the average time to process a student delinquent account is 3.68 minutes, which is consistent with the time reported by District staff for the last five years.

For Activity 6, providing a refund when fee waiver eligibility is established after enrollment fee collection, the District claimed average times ranging from 4.1 to minutes to 6.7 minutes per student for the eleven years for which these costs were claimed, FY 2001-02 through 2011-12. The audit report allows these claimed averages as acceptable based on observation of one phase of the process and the program staff's explanation of the process. Indeed, the audit report states "that the district may have understated the total time required to perform this reimbursable activity."

B. Workload multipliers

For Activities 1 through 4, collecting the enrollment fee, the combined average staff time for each activity is multiplied by a specific enrollment statistic to determine the claimable staff time. Both the District and the auditor used this method. The draft audit report rejects the Chancellor's MIS enrollment data reported by the District and substitutes modified MIS enrollment data the auditor obtained from the Chancellor's Office. The audited workload multipliers remove the number of duplicated students, nonresident students, and special admit students. The District does not dispute these statistics at this time.

These statistics are further reduced for the percentage of online enrollment fee collections. This is the second major source of cost reduction. When this program became a mandate in FY 1998-99, there was no online fee collection, so it was not a factor for the annual claim workload statistics. The District workload multipliers treated all enrollment fee collection transactions as an "in-person" transaction at the cashier's office. However, commencing FY 2007-08, the District began an internet online method to collect the enrollment fee. Based on information provided by the District during the audit, the percentage of fees paid in person and online, the multiplier was reduced by the percentage of students who paid on line. This method appears reasonable.

For Activity 5, collecting delinquent enrollment fees, the auditor accepted the number of delinquent fees processed based on the District source data.

For Activity 6, providing a refund for students who establish fee waiver eligibility after the enrollment fee has been collected, the District provided the number of refunds processed beginning FY 2001-02 and the auditor accepted these statistics except for FY 2009-10 and FY 2011-12, when the statistics exceeded 100% of the students that received waivers. No workload multiplier was allowed for these two fiscal years. A more reasonable approach would have been to utilize an average from the other years where the auditor accepted the District data, rather than default to the documentation disallowance.

C. Electronic and information technology for enrollment fee collection

Beginning FY 2007-08, the District provided an internet online method to collect the enrollment fee. The auditor reduced the number of claimed in- person fee transactions for the portion of the students who paid the enrollment fees online. However, the audit findings do not replace the claimed staff time lost from these eliminated transactions with the costs to operate the online payment collections. Thus, no costs are recognized by the audit for the online transactions.

The submitted FY 2011-12 annual claim reduced the enrollment statistic by a percentage for online transactions. The annual claim for that year then included costs of \$85,625, a total of about 1,887 hours for five employees, for what the District identified as developing, procuring, maintaining, and using electronic and information technology for enrollment fee collection. The time claimed was for processing fee transactions, preparing Chancellor's Office MIS reports, tracking student payments, and coordinating with credit card companies. Similar costs were not claimed for prior years retroactive

to when the online payment system started since FY 2011-12 was the first annual claim in which the District reduced the number of in-person statistics.

The draft audit states that the entire amount is unallowable primarily because the costs claimed are based on estimates and that the District did not provide any supporting documentation. The District provided documentation in the form of declarations, which are acceptable source documentation for annual claims. This adjustment is a matter of Controller policy and not subject to individual auditor discretion and a matter of statewide concern that can only be resolved by an incorrect reduction claim.

SCO's Comments

Based on the district's response as it related to the multiplier for reimbursable Activity 6, we increased allowable costs for FY 2009-10 and FY 2011-12 by \$7,658, from \$30,287 to \$37,945.

The district's response addresses three specific issues:

- Average activity time
- Workload multipliers
- Electronic and information technology for enrollment fee collection

We have addressed our comments in the same order as the issues were presented by the district.

Average activity time

The district states that, for Activities 1 through 4, its "good faith estimates" were considered to be "overstated" by the auditors. We agree. Based on our initial discussions with district staff, we determined that the estimated time allowances being claimed for these activities were unreasonable. In addition, estimates do not comply with the actual cost documentation requirements of the parameters and guidelines. Instead, they are examples of corroborating documentation. Section IV of the parameters and guidelines states:

Evidence corroborating the source documents may include, but is not limited to worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Civil Code of Procedure section 2105.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. *However, corroborating documents cannot be substituted for source documents [emphasis added].*

The district did not provide source documentation based on actual data to support the estimated time allowances or determined if its time estimates were reasonable. As a result, *all* costs were unallowable as claimed because, by substituting corroborating documents for source documents,

they were not supported in compliance with the documentation requirements stipulated in the parameters and guidelines.

As the mandated activities took place at the district during the audit period, we assessed the reasonableness of the time estimates used by the district to claim costs for the audit period. The certificated survey forms were completed by district employees for enrollment fee collection activities during the audit period. We held discussions with various district representatives to determine the procedures that the district employees followed to perform the reimbursable activities. We observed district staff in the Bursar's Office collect enrollment fees from students and documented the average time increments spent by district staff to perform these activities based on our observations.

The district's certified estimates ranged from 17.1 to 30.1 minutes for Activities 1 through 4 over the 14-year audit period. Our observations supported that the estimated time allowances claimed for these activities were overstated. For example, while the district claimed time to perform Activities 1 through 4 as high as 30.1 minutes, we observed an average time of 2.12 minutes for all four activities, or .53 minutes per activity. We advised district representatives about the results of our observations as early as May 24, 2013, also noting that the District Bursar was present during our observations.

The district states in its response that, "the auditor's observation sample size is statistically meaningless" in comparison to the enrollment fee collection transactions performed by the district throughout the audit period. However, we spent five days at the Cashier's Office observing students paying a variety of fees owed to the district. We observed 102 transactions processed by district, 66 of which involved the payment of enrollment fees encompassing Activities 1 through 4. The district states that it conducted 395,873 student transactions during the audit period and that our sample, therefore, "does not constitute a representative "time study" sample." However, the district did not provide source documentation to support the time required to perform these transactions. Instead, all time increments were supported only by estimates. In addition, the district did not provide evidence based on actual cost data or conduct its own time study supporting a different conclusion from ours. Therefore, our observations provided actual source documentation for the reimbursable activities in question and a reasonable basis on which to calculate allowable costs.

Workload multiplier

The district states that it does not dispute the corrections made to the workload multiplier for Activities 1 through 4. The district also states that the reduction to the multiplier based on the percentage of students who paid on line appears reasonable.

For Activity 6, we reduced the claimed multiplier to zero for FY 2009-10 and FY 2011-12 because the claimed amounts were unreasonable, as noted in the audit report. In its response, the district states that "A more reasonable approach would have been to utilize an average from the other years where the auditor accepted the District data" We agree

with this approach. The district included costs in its claims for Activity 6 for FY 2001-02 through FY 2011-12. To compute an average multiplier, we added together the multipliers claimed for all fiscal years except FY 2009-10 and FY 2011-12 and determined an average multiplier of 1,048. We applied this multiplier for FY 2009-10 and FY 2011-12 and allowable costs increased by \$3,809 and \$3,849, respectively.

Electronic and information technology for enrollment fee collection

The district states that “the audit findings do not replace the time lost from these eliminated online transactions with the costs to operate the online payment collections. Thus, no costs are recognized in the audit for the online transactions.” We agree. The district is responsible for preparing actual cost documentation supporting mandated costs it incurred.

The district attempted to replace time lost from the eliminated online transactions with the \$85,625 in claimed costs included in its FY 2011-12 claim for what it described as “electronic and information technology for enrollment fee collection.” The district includes in its response the specific activities included in this portion of its claim for that year, which we discovered during the audit through discussions with district staff. However, these costs were based entirely on estimates obtained from a “Annual Employee Time Record Sheet for Mandated Costs” that was provided by the district’s mandated cost consultant and filled out by district staff. These documents include only the names of district staff and the total number of hours claimed for the year. No actual cost documentation was provided indicating what specific activities were performed, the extent to which they were performed, or when they were performed.

The district also states that “The District provided documentation in the form of declarations, which are acceptable source documentation for annual claims.” We disagree. The district then states its belief that “this adjustment is a matter of Controller policy.” We disagree. The adjustment is based on the requirements of the mandated program, the primary criteria used throughout the audit as the basis for the audit findings.

**FINDING 4—
Enrollment Fee
Waivers: Preparing
Policies and Procedures
cost component –
unallowable one-time
costs**

The district claimed \$26,665 in salaries and benefits during the audit period for the one-time activity of preparing district policies and procedures for determining which students are eligible for waiver of the enrollment fee. We found that \$1,652 is allowable and \$25,013 is unallowable. Based on the district’s response to the draft audit report, we revised allowable costs upwards by \$161 for FY 2009-10. See the SCO’s comments to this finding for the specifics.

Costs claimed for FY 2007-08 through FY 2010-11 are material and were based on an estimated 303 hours spent by the Dean of Admissions and Financial Aid, the Director of Financial Aid, and the District Bursar. The district did not include any costs for this activity in its claim for FY 2011-12. We did not review costs claimed for the other years, as the costs were below our materiality threshold.

For costs to be reimbursable more than once, the district must provide actual cost documentation supporting the extent to which it incurred costs for preparing district policies and procedures that resulted from changes in State law. Activities undertaken by the district to update its own policies and procedures regarding the waiver of enrollment fees are unallowable.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1999-2000	\$ 158	\$ 158	\$ -
2000-01	162	162	-
2001-02	193	193	-
2002-03	210	210	-
2003-04	229	229	-
2004-05	254	254	-
2005-06	92	92	-
2006-07	193	193	-
2007-08	3,587	-	(3,587)
2008-09	7,406	-	(7,406)
2009-10	7,261	161	(7,100)
2010-11	6,920	-	(6,920)
Total, salaries and benefits	<u>\$ 26,665</u>	<u>\$ 1,652</u>	<u>\$ (25,013)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time the actual cost was incurred for the event or activity in question.” (See Finding 1 for the specific language.) Section IV.B.1.a states that preparing policies and procedures is reimbursable as a one-time activity for determining which students are eligible for waiver of the enrollment fees. The Commission Final Staff Analysis for the proposed parameters and guidelines dated January 13, 2006, for the one-time activity of adopting policies and procedures, states “...staff finds that updates to the policies and procedures would be subject to changes in the community college district’s policy rather than state law, and would not be reimbursable.”

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

Recommendation:

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

District's Response

The parameters and guidelines state that preparing district policies and procedures is reimbursable as a one-time activity. When there is a need to update a policy or procedure, this is a new one-time activity. There is no stated requirement to distinguish this work as a result of changes to District procedures (e.g., new accounting system software) or changes in state law as asserted by the draft audit report. Regardless, there have been many changes in state law as a result in changes in the enrollment fee amounts, among other things, over the years. The language of Education Code Section 76300 changed frequently and the subject matter of the relevant Title 5, CCR, sections may have been updated by the Board of Governors.

This mandate activity was not observable by the auditor. The District written policies and program procedures are the work product for this activity and were available to the auditor to evaluate the hours claimed. This staff *time* should either be reinstated or reevaluated to compare the hours claimed with changes to state laws and District accounting software.

SCO's Comments

Based on the district's response as it relates to applicable changes in state law, we increased allowable costs for FY 2009-10 by \$161, from \$0 to \$161, to reflect allowable costs incurred for changes made to state laws applicable for that year.

The district states in its response that "When there is a need to update a policy or procedure, this is a new one-time activity. There is no stated requirement to distinguish this work as a result of changes to District procedures...or changes in state law...". We disagree. In the Final Staff Analysis and Proposed Parameters and Guidelines (Item 9) addressed during the January 26, 2006, Commission on State Mandates hearing for this mandated program, it states on page 5 that:

The claimant proposed that the activities of preparing policies and procedures be reimbursable activities. Staff found that preparing policies and procedures is reasonable to comply with the mandate. However, staff finds that updates to the policies and procedures would be subject to changes in the community college district's policy rather than state law, and would not be reimbursable. Therefore, staff modified this section to delete updating the policies and procedures and to specify that preparation of policies and procedures is a one-time activity.

Therefore, this issue was decided more than nine years ago when the parameters and guidelines were first adopted.

Based on information that we obtained from the CCCCCO, changes were made to the Board of Governors Fee Waiver Program and Special Programs Manual for FY 2003-04, FY 2005-06, and FY 2009-10. Costs claimed for FY 2003-04 and FY 2005-06 totaling \$321 are already allowable.

The district's FY 2009-10 claim was filed after the initial filing period for the mandated program. Therefore, actual cost documentation should have been available to support these costs instead of the time estimates provided by the district. Regardless, we recognize that allowable costs were incurred by the district for that year. As also noted above, allowable costs for the two years in which there were changes to state law totaled \$321, which averages \$161 per year. Therefore, we adjusted allowable costs for FY 2009-10 by \$161; from \$0 to \$161 to reflect costs incurred for changes in state laws.

**FINDING 5—
Enrollment Fee
Waivers: Staff Training
cost component –
unallowable one-time
costs**

The district claimed \$25,504 in salaries and benefits during the audit period for the one-time activity of staff training (once per employee) for district staff who implement the program on the procedures for determining which students are eligible for waiver of the enrollment fee. We found that \$1,491 is allowable and \$24,013 is unallowable.

Costs claimed for FY 2007-08 through FY 2010-11 are material and were based on 289 estimated hours spent by the Dean of Admissions and Financial Aid and the Director of Financial Aid. The district did not include any costs for this activity in its claim for FY 2011-12. We did not review costs claimed for the other years, as the costs were below our materiality threshold.

The costs are unallowable because the district claimed estimated costs and did not provide documentation related to the nature of the training provided, the length of the training, which employees attended the training, or whether any of the training costs related to the trainers' time. In addition, the activity is reimbursable only on a one-time basis per employee and costs were claimed for many of the same district employees multiple times in district claims covering a 12-year period.

For costs to be reimbursable, the district must provide actual cost documentation supporting the extent that it incurred costs for training new district staff tasked with implementing the program on the procedures for the waiver of enrollment fees, as well as costs incurred for district staff who provided the training. For costs to be reimbursable more than once per employee, the district must provide actual cost documentation supporting the extent that it incurred costs for training district staff that resulted from changes in state law. Activities undertaken by the district to train employees on updates to its own policies and procedures regarding the waiver of enrollment fees are unallowable.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
1999-2000	\$ 158	\$ 158	\$ -
2000-01	162	162	-
2001-02	193	193	-
2002-03	210	210	-
2003-04	229	229	-
2004-05	254	254	-
2005-06	92	92	-
2006-07	193	193	-
2007-08	3,379	-	(3,379)
2008-09	7,272	-	(7,272)
2009-10	6,856	-	(6,856)
2010-11	6,506	-	(6,506)
Total	<u>\$ 25,504</u>	<u>\$ 1,491</u>	<u>\$ (24,013)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time the actual cost was incurred for the event or activity in question.” (See Finding 1 for the specific language.) Section IV.B.1.b states that staff training is reimbursable as a one-time cost per employee for training district staff that implement the program on the procedures for determining which students are eligible for waiver of the enrollment fee. Consistent with the Final Staff Analysis for policies and procedures, training existing staff for changes in the community college district’s policies and procedures is not reimbursable.

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

Recommendation:

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

District’s Response

As in Finding 2, the audit report does not distinguish the amounts between the *staff* time disallowed for trainee *staff* claimed more than once by name or for hours claimed without sufficient documentation as to the content of the training. The audit report ostensibly disallows

training time for employees who were claimed more than once during the audit period. The content of the training would change over the span of years, thus, new content would be a new one-time activity for any repeat staff members. The name of the supervisors or managers conducting the training would appear in the claims for several years either for individual job training or meetings. There should be no blanket disallowance of staff time for persons whose name appears more than once, whether a new or existing employee, without a determination of whether the subject matter of the training was duplicate of previously claimed training activities.

The audit report also ostensibly disallowed claimed time for lack of supporting documentation. The District provided documentation in the form of declarations which are acceptable source documentation. The audit does not indicate how this documentation was not "actual cost documentation." This staff time should either be reinstated or reevaluated to compare the hours claimed with changes to state laws and District procedures, as well as addressing the eligibility of time reported by a supervisor for training new staff.

SCO's Comments

The finding and recommendation remain unchanged.

The district states that "The District provided documentation in the form of declarations, which are acceptable source documentation." We disagree. The parameters and guidelines state that declarations are corroborating documents that cannot be substituted for source documents.

The district also states that "the audit does not indicate how this documentation was not "actual cost documentation." We disagree. The audit report for this finding references section IV of the parameters and guidelines, which defines the terms actual costs, source documents, and corroborating documents. The district supported costs claimed only with corroborating documents rather than source documents.

The district states that "there should be no blanket disallowance of staff time for persons whose name appears more than once, whether a new or existing employee, without a determination of whether the subject matter of the training was duplicate of previously claimed training activities." However, we cannot make this determination because the district did not provide information related to the nature of training activities conducted during the audit period, as already noted in the audit report. The district is responsible for supporting claimed costs.

The district included costs for staff training for 12 years of the audit period. Training for enrollment fee waivers was not reimbursable for the district's FY 1998-99 claim and the district did not include any costs for this activity in its claim for FY 2011-12. For seven years of the audit period, costs were claimed only for time spent by the Dean of Admissions and Records. For four years of the audit period, time was claimed for the Dean of Admissions and Records and the Director of Financial Aid, while the District Bursar was added to this group for one of the years under audit. Based on documentation provided, costs claimed were for time spent by district management training district

staff. As noted in the audit report, the time was estimated. There was no indication of what district staff was trained on, if any district staff was trained at all, how long such training lasted, or what specific training was provided. We advised district representatives early in the audit process of our concerns with costs claimed for staff training. However, the district did not provide additional support for us to consider.

**FINDING 6—
Enrollment Fee Waivers:
Adopting Procedures,
Recording and
Maintaining Records cost
component – unallowable
ongoing costs**

The district claimed \$93,140 in salaries and benefits related to adopting procedures and recording and maintaining records related to enrollment fee waivers. We determined that \$5,755 is allowable and \$87,385 is unallowable. The costs are unallowable because the district estimated the amount of time to perform the reimbursable activities.

Costs claimed for FY 2007-08 through FY 2010-11 are material and were based on 1,811 estimated hours spent by various district staff to perform the reimbursable activities. The district did not include any costs for this activity in its claim for FY 2011-12. We did not review costs claimed for the other years as the costs were below our materiality threshold.

Using survey forms developed by the district’s mandated cost consultant, various district staff estimated the number of hours spent each year for “time spent by staff recording and maintaining records which document all of the financial assistance provided to students for the payment or waiver of enrollment fees in a manner which will enable an independent determination of the district’s certification of the need for financial assistance.” However, recording and maintaining records for the payment of enrollment fees is not a reimbursable activity under this cost component. We made multiple requests to the district for documentation supporting the costs claimed for this reimbursable component. However, the district did not provide actual cost documentation supporting the costs incurred, Therefore, these costs are unallowable.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1999-2000	\$ 264	\$ 264	\$ -
2000-01	271	271	-
2001-02	321	321	-
2002-03	351	351	-
2003-04	382	382	-
2004-05	300	300	-
2005-06	1,934	1,934	-
2006-07	1,932	1,932	-
2007-08	6,041	-	(6,041)
2008-09	19,218	-	(19,218)
2009-10	31,086	-	(31,086)
2010-11	31,040	-	(31,040)
Total, salaries and benefits	<u>\$ 93,140</u>	<u>\$ 5,755</u>	<u>\$ (87,385)</u>

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were “created at or near the same time the actual cost was incurred for the event or activity in question.” (See Finding 1 for the specific language.) Section IV.B.2.a 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.

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

Recommendation

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 recommended that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District’s Response

This mandate activity was not observable by the auditor. The audit report apparently disallowed all claimed time reviewed for lack of supporting documentation, as a default finding. The District provided documentation in the form of declarations, which are acceptable source documentation. The audit does not indicate how this documentation was not "actual cost documentation." Multiple requests by the auditor for corroborating documentation, assuming another relevant piece of paper exists, for this and other findings does not improve the substance of the adjustment. The pertinent issues are that the claiming instructions were issued eight years after the program commenced, the audit started an additional seven years thereafter, and the auditor could not specify what additional District documentation would be available in the usual course of business to support the declarations and even if such documentation would satisfy the auditor.

SCO’s Comments

The finding and recommendation remain unchanged.

In its response to this finding, the district explains that its lack of actual source documentation is based on the fact that “the claiming instructions were issued eight years after the program commenced, the audit started an additional seven years thereafter... .” We believe that the district is referring to the parameters and guidelines that were first issued on January 26, 2006. The reimbursable activity was first defined in the program’s statement of decision adopted on April 24, 2003. The date the audit is initiated does not affect the district’s responsibility to support costs claimed. Throughout the audit period, we expanded audit procedures as necessary to gain an understanding of the different processes relevant to reimbursable activities. However, the district did not provide support based on actual cost documentation.

**FINDING 7—
Enrollment Fee
Waivers: Waiving
Student Fees cost
component –
unallowable ongoing
costs**

The district claimed \$1,285,654 in salaries and benefits for the Waiving Student Fees cost component during the audit period in accordance with Education Code section 76300, subdivisions (g) and (h), and waiving student fees for students who apply for and are eligible for BOGG fee waivers. We determined that \$398,123 is allowable and \$887,531 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 CCCCO. We also made adjustments 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:			
1999-2000	\$ 40,404	\$ 8,422	\$ (31,982)
2000-01	43,683	9,305	(34,378)
2001-02	59,105	11,201	(47,904)
2002-03	70,405	22,278	(48,127)
2003-04	67,996	21,049	(46,947)
2004-05	87,060	27,759	(59,301)
2005-06	86,825	30,400	(56,425)
2006-07	122,010	27,996	(94,014)
2007-08	212,070	42,093	(169,977)
2008-09	113,193	42,626	(70,567)
2009-10	232,706	42,605	(190,101)
2010-11	150,197	52,371	(97,826)
2011-12	-	60,018	60,018
Total, salaries and benefits	\$ 1,285,654	\$ 398,123	\$ (887,531)

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 FY 1999-2000 through FY 2010-11, the district claimed salaries and benefits for the six reimbursable activities under the Waiving Student Fees cost component using time allowances developed from estimated time it took staff to complete various activities through the use of employees’ annual survey forms. For FY 1999-2000 through FY 2010-11, employees estimated the average time in minutes it took them to perform the six reimbursable activities per student per year on certification forms developed by the district’s mandated cost consultant. The district did not include any costs for this cost component in its claim for FY 2011-12.

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

Activity	Claimed Minutes per Activity						
	Fiscal Year						
	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
7 Answering Questions	3.0	3.2	3.6	3.7	3.6	3.6	3.6
8 Receiving Applications	2.8	2.8	3.2	3.2	3.3	3.3	3.3
9 Evaluate Applications	5.0	5.2	5.8	5.8	5.9	5.9	5.9
10 Incomplete Applications	3.4	3.5	4.0	4.0	4.1	4.1	-
11 Approved Applications	6.8	6.8	7.4	7.3	7.0	7.0	7.0
12 Review Waiver Denials/Appealed by students	4.2	4.2	4.0	4.0	3.6	3.6	-
Total, FY 1999-2000 through FY 2005-06	25.2	25.7	28.0	28.0	27.5	27.5	19.8

Activity	Claimed Minutes per Activity					
	Fiscal Year					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
7 Answering Questions	4.5	4.9	5.4	5.7	5.6	-
8 Receiving Applications	5.0	6.0	6.7	7.4	7.3	-
9 Evaluate Applications	7.5	6.9	8.1	9.1	7.9	-
10 Incomplete Applications	5.3	6.3	-	7.3	-	-
11 Approved Applications	7.9	9.1	9.6	10.7	9.1	-
12 Review Waiver Denials/Appealed by students	4.6	6.1	-	6.9	-	-
Total, FY 2006-07 through FY 2011-12	34.8	39.3	29.8	47.1	29.9	-

As the mandated activities took place at the district during the audit, we assessed whether or not the time estimates cited by district staff for FY 1999-2000 through FY 2010-11 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 who process students’ BOGG fee waiver applications. We documented the average time increments spent by district staff to perform these activities based on our observations. Based on our discussions and observations, we found that the time estimates claimed were not reasonable.

In applying the time allowances, the district did not report the correct number of students who received BOGG fee waivers. We recalculated allowable costs 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 overstated salaries and benefits by \$887,531 for the audit period.

Activities 7 through 12: BOGG Fee Waiver Application Processing – General Information

The district's website (www.citruscollege.edu) contains information related to offering the Board of Governors Waiver (BOGW) to pay the enrollment fee for all eligible applicants. Specifically, the website states that students who are California residents will qualify for a waiver if:

You have already qualified for financial aid, such as a Pell Grant or Cal Grant

You or a family member are receiving TANF/CalWORKS or SSI/SSP (Supplemental Security Income or General Assistance/General Assistance/General Relief [note – this is referred to as Method A on the BOGW application form])

You have certification from the California Department of Veterans Affairs or the National Guard Adjutant General that you are eligible for a Dependent's Fee Waiver [note – these are referenced as special classification fee waivers on the BOGW application form]

You meet the low-income standards or other special classification fee waivers [note – low income standards is referenced as Method B on the BOGW application form]

The BOGW application form also notes that students who do not qualify for a BOGG waiver using Method A or Method B should sign a FAFSA (Free Application for Federal Student Aid) or the California Dream Application (for undocumented AB 540 students). Fee waivers granted through the FAFSA application are commonly referred to as BOGG fee waiver C.

We determined 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. In addition, district staff will have little or no involvement with students who use the district's online BOGW application process or the FASFA online process for BOGG fee waiver C. For FY 1999-2000 through FY 2011-12, all applications for BOGG fee waivers A and B were received in paper form and manually processed by district staff.

For BOGG fee waiver A, students apply in person. Therefore, students must bring in proof of benefits received to the Financial Aid Office before their applications are processed by the Financial Aid Technicians.

For BOGG fee waiver B, all students' applications are processed at the front counter by the Financial Aid Technicians. Students complete the paper application with supporting documentation and submit the

completed package to the Technician. The Technician evaluates the application and supporting documentation, then enters the information into the district's "Banner" software system. A determination is made by the system as to whether the student qualifies for a BOGG fee waiver or is denied. Once the BOGG fee waiver is granted or denied, students receive an automatic notice at the front counter.

For BOGG fee waiver C, students may initially apply for BOGG fee waiver A or B and be denied. If the student does not qualify for either of these BOGG fee waivers, the student is advised to apply for financial aid. A BOGG fee waiver C may then be granted through the FAFSA application process. There are no additional documentation requirements for the BOGG fee waivers granted through the FAFSA. However, there are additional FAFSA documentation verification requirements such as maintaining a certain GPA, verifying tax returns, and verifying maximum units taken. After the FAFSA requirements have been reviewed, staff reviews a specific screen in the district's software system in order to grant a BOGG fee waiver if the student qualifies and a waiver has not already been automatically granted. The increased staff involvement for the BOGG fee waiver in this case occurs after the FAFSA requirements have been reviewed.

For special classification BOGG waivers, district staff's time involvement is similar to that for the BOGG fee waiver A mentioned above. Students must bring in proof of eligibility to the Financial Aid Office.

Most students apply online for the BOGG fee waiver. However, for those students who submit paper fee waiver applications, the district provided us with a step-by-step overview of how district staff processes the paper BOGG fee waiver applications and reviews supporting documentation. The district's computer system also has a trigger with which Financial Aid Office staff may verify specific BOGG fee waiver applications submitted through the district's online BOGW system, such as applications from students with very low income in comparison to their expenses. Staff is responsible for manually evaluating these applications to determine, for example, how students live on such low income versus their expenses. In that case, students are required to bring in supporting documentation as required.

Activity 7-Answering student questions

We observed the Financial Aid Technicians alternate every hour to assist students who come in person to the Financial Aid Office to apply for a BOGG fee waiver. The district staff accepts paper BOGG fee waiver applications at the front counter and answers student questions. The staff may also direct students to fill out the BOGG fee waiver application online at a computer located adjacent to the counter. Financial Aid staff members at the back counters of the Financial Aid Office evaluate BOGG fee waiver applications; notify students by email of approved, incomplete, and denied applications; and call students with questions.

Activity 8: Receiving enrollment fee waiver applications

Currently, the district may receive paper BOGG fee waiver applications in person, through the district's BOGW online system, or through the FAFSA website. Most of the BOGG fee waiver applications currently processed by the district are submitted by students through either the district's BOGG online system or through the FAFSA website.

Activity 9: Evaluating waiver applications and verifying documentation

We observed staff manually evaluating applications for eligibility and verifying documentation. Applications that require additional documentation are flagged by district staff. Staff then inserts applicable comments and sends requests for more information to students by email, or informs students in person of the additional documents required.

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

As noted above, district staff may send an email to the student's Wingspan school account to advise him or her that information is missing. In addition, most students initiate communication with district staff if the BOGG fee waiver has not been granted or posted. Staff may access a student's computer file and view prior comments or notes and inform students of additional required information required, if any.

Financial Aid Office staff indicated that incomplete BOGG fee waiver applications take additional time for review and re-evaluation. If the district's computer system rejects a BOGG fee waiver application, then district staff reviews the incomplete application and inserts a comment into the student's computer file explaining why the BOGG fee waiver was rejected. This comment enables district staff to answer student questions as to why applications were rejected. The incomplete application is given back to the student to provide any needed documents.

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

The district split the reimbursable activity into the sub-activities of proofreading and scanning approved applications and notifying students.

- **Scanning** – This activity includes removing staples from paper applications, writing student identification numbers on each page of applications and supporting documents, entering student identification into Wingspan, entering semester or year, and scanning multiple pages into the district's computerized system.
- **Proofreading** – This activity includes opening scanned documents; verifying each application by using student identification number, Social Security number, and name; verifying each document for accuracy; checking student signature and supporting documents; and saving, filing, and closing documents.

Activity 12: Appealing a denied BOGG fee waiver application

Through our discussions with district staff, we determined that the district does not have a written appeal process for denied BOGG fee waiver applications. However, during the audit, the district explained that any additional information and documentation provided by students pertaining to fee waiver applications that were denied is considered an appeal of the initial denial of a BOGG fee waiver. According to the Financial Aid Office staff, denied BOGG fee waiver applications are rare. BOGG fee waivers are denied usually because the student's or the parents' income is too high. A comment is also inserted into a student's account explaining the reason for the fee waiver denial. Financial Aid Office management stated that students are instructed to apply for FAFSA if they do not qualify for a BOGG fee waiver.

During our meeting with the Financial Aid Director at the district's Financial Aid Office on July 22, 2013, the Director stated that the district does not have a written appeal process for denied BOGG fee waiver applications. However, the Director stated that such cases are dealt with on an individual basis. During our observations of district staff performing the reimbursable activities, no reviews were performed for BOGG fee waiver denials that were appealed by students.

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 time allowances per student as identified above.

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 also observed district staff in the Financial Aid Office performing the reimbursable activities as well as other non-mandated activities. We documented the average time increments spent by district staff to perform the reimbursable activities based on our observations and discussions. Over several days, we observed 114 enrollment fee waiver applications processed by district staff, encompassing Activities 7 through 11, totaling 405.39 minutes. Therefore, the average time to perform each of these activities was determined to be 3.56 minutes. The district does not keep rejected paper applications; rejected applications are returned to students. Therefore, the time increment for activity 10 is calculated as part of the ongoing activities.

We also observed 71 enrollment fee waiver applications evaluated, processed, and posted to students' accounts by district staff, encompassing primarily Activity 11, totaling 140.14 minutes, or 1.97 minutes per application. Based on our observations and discussions, we determined that it takes staff approximately 5.53 minutes to perform Activities 7 through 11. As noted above, the district does not have a written process in place for student appeals of denied BOGG fee waivers (reimbursable Activity 12). We discussed the results of our observations

with the district for reimbursable activities 7, 8, 9, and 11 on July 25, 2013.

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.

Calculation of Time Increments Adjustment

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

Allowable Minutes per Activity		Each Fiscal Year
	Activity	
7	Answering Questions	1.11
8	Receiving Applications	1.09
9	Evaluating Applications	1.11
10	Notifying Students for Incomplete Applications	1.11
11	Copying and Filing Approved Applications	1.11
12	Reviewing waiver denials appealed by students	-
	Total	<u>5.53</u>

Multiplier Calculation

For Activities 7, 8, and 9, the district claimed costs by multiplying the number of BOGG fee waivers approved by a uniform time allowance and an annual average productive hourly rate. The district used the number of students who requested for BOGG fee waivers as the multiplier based on information produced by the Director of Financial Aid.

For Activity 10, the district claimed costs by multiplying the number of BOGG fee waivers that were denied. For Activity 11, the district used the CCCCCO's Datamart report titled "Financial Aid Count and Amount By Type." For Activity 12, the district claimed costs by multiplying the number of BOGG fee waivers that were denied by the average productive hourly rate determined for the Financial Aid Office staff.

For Activities 7, 8, 9, 10, and 11, we applied the time required to perform the reimbursable activities by the number of students who received BOGG fee waivers per statistics provided by the CCCCCO. Using data that the district reported, the CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. We used this information for Activity 10 (incomplete BOGG fee waiver applications) because it represents the maximum number of incomplete applications that may have been processed by district staff throughout each year.

No allowable costs exist for Activity 12 (appeals of denied BOGG fee waiver applications). The Director of Financial Aid indicated that such appeals by students are handled on a case-by-case basis, as the district

has no written procedures in place for students to appeal the denial of BOGG fee waiver applications. The costs are unallowable because the district did not provide actual cost information indicating time spent assisting students for appeals of denied fee waiver applications during the audit period.

Calculation 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	120,452	140,336	19,884
8	120,452	140,336	19,884
9	120,452	140,336	19,884
10	5,104	140,336	135,232
11	90,021	135,502	45,481
12	5,104	-	(5,104)
Total	461,585	696,846	235,261

Productive Hourly Rates

We made adjustments to the average productive hourly rates claimed for the activities involved with waiving student fees. Consistent with the information presented for Activities 1 through 6, the district also understated the annual average productive hourly rate in its claims for Activities 7 through 12 for FY 2005-06 through FY 2011-12. We recalculated the annual average productive hourly rates based on actual salary and benefit information for the employees involved in enrollment fee waivers activities and made minor changes to the claimed rates. The information used for the recalculation of rates was provided by the district's Budget Supervisor. For the benefit rates calculations, we used information from the district's "Revenues, Expenditures, and Fund Balance Data Report," which is part of the district's CCFS-311 Annual Financial Report.

Calculation 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 12.

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

Reimbursable Activity	Claimed Hours	Allowable Hours	Adjusted Hours
7	8,622.27	2,596.22	(6,026.05)
8	9,438.79	2,549.46	(6,889.33)
9	13,472.76	2,596.22	(10,876.54)
10	344.41	2,596.22	2,251.81
11	12,710.19	2,506.79	(10,203.40)
12	338.77	-	(338.77)
Total Hours	44,927.19	12,844.91	(32,082.28)

Calculation of Costs by Reimbursable Activities

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We determined that salaries and benefits totaling \$398,123 are allowable and \$887,531 is unallowable.

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

Reimbursable Activity	Claimed Salaries and Benefits	Allowable Salaries and Benefits	Audit Adjustment
7	\$ 245,327	\$ 80,371	\$ (164,956)
8	272,598	78,926	(193,672)
9	381,483	80,371	(301,112)
10	8,751	80,371	71,620
11	368,960	78,084	(290,876)
12	8,535	-	(8,535)
Total	\$ 1,285,654	\$ 398,123	\$ (887,531)

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 recommended that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

A. Average activity time

Using certification forms developed by the District's mandated cost consultant, program staff who implemented the mandate responded to three surveys conducted over the 13-year audit period (FY 1998-99 is not included in this part of the mandate). Each person estimated their average individual times required to perform each of the six

reimbursable activities. These individual averages were then combined and an average calculated for all staff implementing each activity. These averages were rejected by the auditor for Activities 7 through 11 and no staff time was allowed for Activity 12.

For Activities 7 through 11, the wavier application processing, the District claimed average times per student transaction of 19.8 to 40.2 minutes over the 13 years. The auditor decided that the good faith time estimates reported by District staff were "overstated." The auditor held discussions with program staff in order to determine the procedures used to perform the reimbursable activities. The auditor observed 114 transactions at the financial aid office over several days encompassing Activities 7 through 11 totaling 405.39 minutes, or an average of 3.56 minutes. For the additional processing from FAFSA, Activity 11, the auditor observed 71 applications totaling 140.14 minutes or 1.97 minutes. The audited total average is 5.53 minutes for Activities 7 through 11.

This 72% to 86% reduction in time allowed for in-person transactions is the largest source of the cost reduction. However, the auditor's observation sample size is statistically meaningless. The audited number of waiver transactions is 140,336 over the 13-year period, of which 185 wavier transactions were observed. The audit report does not state that the procedures observed necessarily matched the entire scope of the parameters and guidelines and these procedures may have changed over the years. For these and many other reasons the auditor's observation process does not constitute a representative "time study" sample.

For Activity 12, appealing a denied BOGG waiver, the District claimed average times per student of 3.6 minutes to 6.9 minutes for nine fiscal years in the audit period. The auditor was unable to observe this process during the week of fieldwork because no appeals were received. Without this observation, the audit report defaults to total disallowance of this activity based on lack of documentation. However, the audit report also indicates that the auditor did obtain an understanding of the scope of the process from the program staff:

Through our discussions with district staff, we determined that the district does not have a written appeal process for denied BOGG fee waiver applications. However, during the audit, the district explained that any additional information and documentation provided by students pertaining to fee waiver applications that were denied is considered an appeal of the initial denial of a BOGG fee waiver. According to the Financial Aid Office staff, denied BOGG fee waiver applications are rare. BOGG fee waivers are denied usually because the student's or the parents' income is too high. A comment is also inserted into a student's account explaining the reason for the fee waiver denial. Financial Aid Office management stated that students are instructed to apply for FAFSA if they do not qualify for a BOGG fee waiver.

There is no requirement in the parameters and guidelines for a written or formal appeal process. The audit report incorrectly concludes that the dispute resolution process is not an activity that would be amendable to a time study because it is not a task that is repetitive in nature. Perhaps, but the District reported 5,104 appeals for the audit period which is an amount sufficient for staff to generate an opinion of the time required for the average time it takes to resolve the wavier

eligibility issues. Since the audit report does indicate that the auditor has an understanding of how this activity is implemented sufficient to render a judgment on whether the time claimed was reasonable, as the auditor has done for other activities the auditor was unable to directly observe, the auditor should also do so for this activity.

C. Workload multipliers

The average staff time for each activity is multiplied by a specific workload factor for each activity to determine the claimable staff time. Both the District and the auditor used this method. For Activities 7 through 11, the draft audit report replaces the District statistics with the workload data the auditor obtained from the Chancellor's Office which removes the number of unduplicated BOGG recipients. These corrections made by the auditor are not disputed at this time.

For Activity 12, appeals of denied BOGG fee waiver applications, the District reported 5,104 waiver applications requiring some sort of appeal function within the meaning of the parameters and guidelines. The audited multiplier is zero even though the District statistics were not evaluated, because the auditor did not observe the appeal process. Without this observation, the audit report defaults to total disallowance of this activity based on lack of documentation which will be a subject of the incorrect reduction claim.

SCO's Comments

The finding and recommendation remain unchanged.

The district's response addresses two specific issues:

- Average activity time
- Workload multiplier

We addressed our comments in the same order as the issues were presented by the district.

Average activity time

The district states that its "good faith estimates" were considered to be overstated by the SCO auditor. We agree. Based on our initial discussions with district staff, we determined that the estimated time allowances being claimed for these activities were unreasonable. In addition, estimates do not comply with the actual cost documentation requirements of the parameters and guidelines. Instead, they are examples of corroborating documentation.

Section IV of the parameters and guidelines states:

Evidence corroborating the source documents may include, but is not limited to worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Civil Code of Procedure section 2105.5. Evidence corroborating the source documents may include data relevant to the

reimbursable activities otherwise in compliance with local, state, and federal government requirements. *However, corroborating documents cannot be substituted for source documents* [emphasis added].

The district did not provide source documentation based on actual data to support the estimated time allowances or determined if its time estimates were reasonable. As a result, all costs were unallowable as claimed because, by substituting corroborating documents for source documents, they were not supported in compliance with the documentation requirements stipulated in the parameters and guidelines.

As the mandated activities took place at the district during the audit period, we assessed the reasonableness of the time estimates used by the district to claim costs for the audit period. The certificated survey forms were completed by district employees for waiving student fee activities during the audit period. We held discussions with various district representatives to determine the procedures that the district employees followed to perform the reimbursable activities. We observed district staff in the Financial Aid Office perform the mandate activities and documented the average time increments spent by district staff to perform these activities based on our observations.

The district's certified estimates ranged from 19.8 to 40.2 minutes for Activities 7 through 11 over the 14-year audit period. Our observations supported that the estimated time allowances claimed for these activities were overstated. For example, while the district claimed time to perform Activities 7 through 11 as high as 40.2 minutes, we observed an average time of 5.53 minutes for all five activities. We advised district representatives about the results of our observations on July 25, 2013, and inquired if the district intended to perform their own observations; the district declined.

The district states in its response that "the auditor's observation sample size is statistically meaningless" in comparison to the number of waiver transactions performed by the district throughout the audit period. However, we spent four days at the Financial Aid Office observing staff process BOGG waiver applications and documented the average time increments spent by district staff to perform these activities based on our observations. We observed 114 BOGG fee waiver-related activities performed by district staff. Our observations showed that it took the staff members an average time of 5.53 minutes for Activities 7 through 11, or an average of about 1.11 minutes for each of the five activities.

The district states that it conducted 140,336 waiver transactions during the audit period and that our sample, therefore, "does not constitute a representative "time study" sample." However, the district did not provide source documentation to support the time required to perform these transactions. Instead, all time increments were supported only by estimates. In addition, the district did not provide evidence based on actual cost data supporting a different conclusion from ours despite our request for the district to perform its own time study, which it declined. Therefore, our observations provided actual source documentation for the reimbursable activities in question and a reasonable basis on which to calculate allowable costs.

For reimbursable Activity 12, the district states that “The District reported 5,104 appeals for the audit period which is an amount sufficient to render a judgment on whether the time claimed was reasonable...” However, we noted that the number used for appeals of denied BOGG fee waivers was the exactly the same number used in the district’s claims for Incomplete Applications—which is reimbursable activity 10.

The district states that “the District reported 5,104 waiver applications requiring of appeal function within the meaning of the parameters and guidelines.” The district does not identify what “sort” of appeal functions that would include, although the parameters and guidelines do state that the denial may be appealed by the student. The district has acknowledged that it does not have written procedures in place for appeals of denied BOGG fee waivers by students. However, the parameters and guidelines also require that the district “provide written notification to the student of the results of the appeal or any change in eligibility status.” However, the district did not provide such support for appeals of denied fee waiver applications. The district also did not provide actual cost documentation supporting that it performed this reimbursable activity.

Workload multiplier

The district states that it does not dispute the corrections we made for Activities 7 through 11.

For Activity 12, the district states that “the District reported 5,104 waiver applications requiring some sort of appeal function within the meaning of the parameters and guidelines.” However, as noted above, the district used the same multipliers in its claims for Activity 12 as it did for Activity 10 – Incomplete Applications. While handling appeals of denied BOGG fee waivers does not happen often enough for the district to have policies and procedures in place when it does happen, handling incomplete BOGG fee waiver applications filed by students is a common occurrence. The reimbursable activity is quite different, although we accepted the multiplier claimed for Activity 10. The district acknowledges that an appeal of BOGG fee waiver applications filed by a student is handled “on a case by case basis.” Basically, it happens infrequently. Therefore, it is not reasonable to conclude that the number of appeals handled by staff is the same number as incomplete applications.

FINDING 8— Unallowable indirect costs

The district claimed indirect costs during the audit period totaling \$2,444,430 (\$1,769,089 for enrollment fee collection activities and \$675,341 for enrollment fee waiver activities). For enrollment fee collection activities, we determined that \$145,009 is allowable and \$1,624,080 is unallowable. For enrollment fee waiver activities, we determined that \$164,885 is allowable and \$510,456 is unallowable. The costs are unallowable because of indirect cost rate calculation errors in each year of the audit period (\$54,020) and the unallowable salaries and benefits identified in Findings 1 through 6 (\$2,080,516).

Indirect Cost Rates Claimed

The district overstated its indirect cost rates for every year of the audit period except FY 2005-06. For the audit period, the district claimed indirect costs using the SCO's FAM-29C methodology. For all years of the audit period, we noted errors in the indirect cost rates that the district claimed.

We summarized the general errors related to indirect costs that we found in the district's claims for FY 1998-99 through FY 2011-12:

- For every year of the audit period except FY 2006-07, the district used expenditure amounts obtained from the prior year's California Community Colleges Annual Financial Budget Report – Expenditures by Activity Report (CCFS-311) when calculating its indirect cost rates.
- For FY 2004-05 and FY 2005-06, the district did not include depreciation or use allowance amounts for building and equipment in its indirect cost pool used for calculating indirect cost rates. This information originates within the notes to the district's audited financial statements. For FY 2007-08 through FY 2011-12, the district used depreciation allowance amounts from the prior-year audited financial statements instead of current-year amounts to compute its indirect cost rates.
- For FY 2007-08 and FY 2008-09, the district calculated its indirect cost rates by using total direct costs as a base instead of salaries and benefits. The SCO's claiming instructions for those fiscal years requires the use of salaries and benefits as a base.

The district made the following specific errors in its indirect cost rate calculations:

- FY 1998-99 through FY 2003-04:
 - Misclassified costs as indirect within the accounts groups of Instruction, Instructional Administration and Instructional Governance, Instructional Support Services, Admission and Records, Counseling and Guidance, Other Student Services, Community Relations, Staff Development, Staff Diversity, Community Services and Economic Development, and Ancillary Services'. All costs within these account groups should be classified as direct costs.
 - Misclassified 100% of the costs within account group Operation and Maintenance of Plant as indirect. The SCO's claiming instructions allow claimants the option of using 7% of the expenses reported within this account group as indirect costs or a higher expense percentage if the district can support the higher amount. The district did not provide any support for using a percentage higher than 7%.
 - Misclassified costs within the account group of Physical Property Acquisition as indirect in its indirect cost rate calculations for FY 1998-99, FY 2000-01, and FY 2001-02.

However, costs within this account group are unallowable for the purposes of calculating a FAM-29C indirect cost rate.

- FY 2004-05 through FY 2007-08:
 - Misclassified costs as indirect within the accounts groups of Instruction, Instructional Administration and Instructional Governance, Instructional Support Services, Admission and Records, Counseling and Guidance, Other Student Services, Community Relations, Community Services and Economic Development, and Ancillary Services. All costs within these account groups should be classified as direct costs.
- FY 2008-09 through FY 2011-12:
 - Misclassified costs within the account of Community Relations as indirect. Costs within this account should be classified as direct costs.

Recalculated Indirect Cost Rates

We recalculated indirect costs for each fiscal year of the audit period using the SCO’s FAM-29C methodology. We calculated the allowable indirect costs rates each year by using the information contained in the California Community College Annual Financial Budget Report Expenditures by activity report (CCFS-311). Our calculations determined that the district misstated its indirect cost rates for each fiscal year of the audit period.

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

Fiscal Year	Claimed			Allowable			Difference
	Indirect Cost Rate Claimed	Calculated Rate using Base of	CCFS-311 Used	Indirect Cost Rate Allowable	Calculated Rate using Base of	CCFS-311 Allowable	
1998-99	51.75%	(A)	Prior Year	21.39%	(A)	Actual Year	-30.36%
1999-2000	44.86%	(A)	Prior Year	18.74%	(A)	Actual Year	-26.12%
2000-01	44.70%	(A)	Prior Year	18.31%	(A)	Actual Year	-26.39%
2001-02	45.74%	(A)	Prior Year	17.83%	(A)	Actual Year	-27.91%
2002-03	41.72%	(A)	Prior Year	20.87%	(A)	Actual Year	-20.85%
2003-04	45.53%	(A)	Prior Year	18.14%	(A)	Actual Year	-27.39%
2004-05	40.58%	(A)	Prior Year	39.86%	(A)	Actual Year	-0.72%
2005-06	40.60%	(A)	Prior Year	41.89%	(A)	Actual Year	1.29%
2006-07	52.46%	(A)	Actual Year	42.25%	(A)	Actual Year	-10.21%
2007-08	52.46%	(A)	Prior Year	43.68%	(B)	Actual Year	-8.78%
2008-09	47.53%	(A)	Prior Year	40.44%	(B)	Actual Year	-7.09%
2009-10	42.72%	(B)	Prior Year	45.40%	(B)	Actual Year	2.68%
2010-11	46.82%	(B)	Prior Year	42.91%	(B)	Actual Year	-3.91%
2011-12	44.37%	(B)	Prior Year	44.06%	(B)	Actual Year	-0.31%

(A) - Total direct cost
 (B) - Salaries and benefits

Enrollment Fee Collection

The district claimed \$1,769,089 for indirect costs during the audit period related to salaries and benefits claimed for enrollment fee collection activities. We determined that \$145,009 is allowable and \$1,624,080 is unallowable. We determined that \$45,601 is unallowable due to the indirect cost rate adjustments mentioned above and \$1,578,479 is unallowable as a result of the unallowable salaries and benefits identified in Findings 1 through 7.

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

Fiscal Year	Enrollment Fee Collection				
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Indirect Costs	Allowable Indirect Costs	Audit Adjustment
1998-99	51.75%	21.39%	\$ 106,508	\$ 4,779	\$ (101,729)
1999-2000	44.86%	18.74%	111,501	3,879	(107,622)
2000-01	44.70%	18.31%	119,565	3,980	(115,585)
2001-02	45.74%	17.83%	136,581	4,723	(131,858)
2002-03	41.72%	20.87%	139,367	5,586	(133,781)
2003-04	45.53%	18.14%	123,683	4,492	(119,191)
2004-05	40.58%	39.86%	136,350	12,132	(124,218)
2005-06	40.60%	41.89%	97,207	11,010	(86,197)
2006-07	52.46%	42.25%	119,208	8,996	(110,212)
2007-08	52.46%	43.68%	134,141	11,425	(122,716)
2008-09	47.53%	40.44%	177,756	18,505	(159,251)
2009-10	42.72%	45.40%	155,847	21,222	(134,625)
2010-11	46.82%	42.91%	143,491	16,467	(127,024)
2011-12	44.37%	44.06%	67,884	17,813	(50,071)
			<u>\$ 1,769,089</u>	<u>\$ 145,009</u>	<u>\$ (1,624,080)</u>

Enrollment Fee Waivers

The district claimed \$675,341 for indirect costs during the audit period related to salaries and benefits claimed for enrollment fee waivers activities. We determined that \$164,885 is allowable and \$510,456 is unallowable. We determined that \$8,374 is unallowable due to the indirect cost rate adjustments mentioned above and \$502,082 is unallowable as a result of the unallowable salaries and benefits identified in Findings 1 through 6.

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				Audit Adjustment
	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Indirect Costs	Allowable Indirect Costs	
1999-2000	44.86%	18.74%	\$ 19,811	\$ 2,283	\$ (17,528)
2000-01	44.70%	18.31%	21,252	2,410	(18,842)
2001-02	45.74%	17.83%	29,129	2,814	(26,315)
2002-03	41.72%	20.87%	31,461	5,693	(25,768)
2003-04	45.53%	18.14%	33,441	4,807	(28,634)
2004-05	40.58%	39.86%	37,125	12,828	(24,297)
2005-06	40.60%	41.89%	36,110	13,622	(22,488)
2006-07	52.46%	42.25%	65,221	12,808	(52,413)
2007-08	52.46%	43.68%	118,313	18,584	(99,729)
2008-09	47.53%	40.44%	71,148	18,291	(52,857)
2009-10	42.72%	45.40%	119,764	20,523	(99,241)
2010-11	46.82%	42.91%	92,566	23,778	(68,788)
2011-12	-	44.06%	-	26,444	26,444
			<u>\$ 675,341</u>	<u>\$ 164,885</u>	<u>\$ (510,456)</u>

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

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

Recommendation

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 recommended that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District’s Response

There are several sources for the differences.

CCSF-311 Choice: Both the District and the auditor calculated the indirect cost rates using the SCO FAM-29C methodology utilizing data from the California Community College Annual Financial Budget Report Expenditures by Activity Report (CCFS-311) submitted by the District to the Chancellor each year. However, the District used the prior year CCFS-311 and the auditor used the current audit year report. The District utilized prior year CCSF-311 reports because the current (annual claim) year CCSF-311 report and CPA audited financial statement depreciation expense are not always available when the annual claims are prepared. This is a source of minor differences from

year-to-year that becomes insignificant because it is applied as a consistent method.

Depreciation Expense: The large differences prior to FY 2004-05 are the result of the District including capital costs from the CCSF-311 and the Controller excluding capital costs from the calculation. The audit excluded the capital costs every year until FY 2004-05 when the CPA depreciation expense was included by change in Controller policy. The Controller has not stated a legal or factual reason to previously exclude or now include capital or depreciation costs, and this is a statewide audit appeal issue. Capital costs and depreciation costs will essentially trend to the same amount over a period of years.

Direct Costs: The other minor differences between the claimed rates and audited rates derive from the choice of how some of the costs are categorized as either direct or indirect for purposes of the calculation. These minor differences are within the realm of a reasonable interpretation of the nature (either direct or indirect) of the costs reported for each CCFS-311 account and the audit findings have not indicated otherwise. The audit report does not state that the District's choices are unreasonable, just that they aren't exactly the same as the Controller's choices using the same method.

There are no regulations or pertinent generally accepted methods for the calculation of the indirect cost rate, so it is a matter of professional judgment. The Controller's claiming instructions are unenforceable because they have not been adopted as regulations under the Administrative Procedure Act. The burden of proof is on the Controller to prove that the product of the District's calculation is unreasonable, not to recalculate the rate according to their unenforceable policy preferences. However, this is a statewide audit issue included in dozens of other incorrect reduction claims already filed that will have to be resolved by decision of the Commission on State Mandates.

SCO's Comments

As the result of the additional allowable salary and benefit costs totaling \$9,033 for Collecting Enrollment Fees, as discussed in our comments for Findings 1 and 3, the related indirect costs increased by \$4,006 for the audit period, from \$141,003 to \$145,009. As the result of the additional allowable salary and benefit costs totaling \$161 for Enrollment Fee Waivers activities, as discussed in our comments for Finding 4, the related allowable costs increased by \$73, from \$164,812 to \$164,885. Our comments related to the district's response for Finding 8 follow.

Section V.B of the parameters and guidelines (Claim Preparation – Indirect Cost Rates) states that community colleges have the option of claiming indirect costs using one of three options, a federally approved rate based on OMB Circular A-21, a rate using SCO's FAM-29C methodology, or a flat 7% indirect cost rate. The district chose the option of using the FAM-29C methodology for the entire audit period by using the FAM-29C forms to document its indirect cost rate calculations. However, the district did not follow the SCO's claiming instructions. We recalculated indirect costs under the FAM-29C methodology using the applicable SCO claiming instructions. The SCO claiming instructions

allows depreciation under the FAM-29C methodology commencing in FY 2004-05.

The district indicates that the “claiming instructions are unenforceable because they have not been adopted as regulations under the Administrative Procedures Act.” Title 2, CCR, Section 1186, allows districts to request that the Commission review the SCO’s claiming instructions. Section 1186, subdivisions (e) through (h), provides districts an opportunity for public comment during the review process. Neither this district nor any other district requested that the Commission review the SCO’s claiming instructions (i.e., the district did not exercise its right for public comment). The district may not now request a review of the claiming instructions applicable to the audit period. Title 2, CCR, section 1186, subdivision (j)(2), states, “A request for review filed after the initial claiming deadline must be submitted on or before January 15 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year.”

The district states that “The District utilized prior year CCSF-311 reports because the current (annual claim) year CCSF-311 report and CPA audited financial statement depreciation expense are not always available when the annual claims are prepared.” We disagree. For every year of the audit period except FY 2005-06, the district used expenditure amounts obtained from the prior year’s California Community Colleges Annual Financial Budget Report – Expenditures by Activity Report (CCFS-311) when calculating its indirect cost rates, as noted in the audit report. Initial claims for this mandated program covering FY 1998-99 through FY 2004-05 were due the SCO on August 1, 2006. The annual claim for FY 2005-06 was due the SCO on January 16, 2007. Claims filed for FY 2006-07 and beyond were due the SCO by February 15 of the following calendar year. Title 5, CCR, section 58305, subdivision (d), states “on or before the 10th day of October, each district shall submit a copy of its adopted annual financial and budget report to the Chancellor.” Based on this requirement, the CFS-311 financial report information was available at the time that the claims were due to the SCO to prepare indirect cost rates using financial data relevant to the proper fiscal year.

We used audited financial statements provided by the district as the source for annual depreciation amounts beginning in FY 2004-05. Audited financial statements are based on financial statement date provided by the district to its outside auditors relative to June 30 of each fiscal year.

**FINDING 9—
Understated and
Overstated Offsetting
Reimbursement**

The district claimed offsetting reimbursements totaling \$1,766,190 (\$470,326 for enrollment fee collection and \$1,295,864 for enrollment fee waivers). We determined that offsetting reimbursements for enrollment fee collection were understated by \$324,750 and offsets for enrollment fee waivers were overstated by \$187,783.

Enrollment Fee Collection

For the audit period, the district claimed offsetting reimbursements for enrollment fee collection totaling \$470,326 related to the offset of 2% of revenues from enrollment fees. We obtained a report from the CCCCO confirming enrollment fee collection offsets paid to the district totaling \$795,076 during the audit period. We applied the 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 \$563,284; therefore, this amount reflects offsets applicable to the audit period. The district claimed \$470,326. Consequently, the district understated offsetting reimbursements by \$92,958.

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

Enrollment Fee Collection Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs	Offsets Claimed (A)	Actual Offsets Confirmed by the CCCCO	Offset Applicable to Audit (B)	Audit Adjustment (B-A)
1998-99	\$ 27,123	(15,807)	\$ (37,046)	\$ (27,123)	\$ (11,316)
1999-2000	24,576	(11,107)	(35,552)	(24,576)	(13,469)
2000-01	25,719	(15,182)	(34,852)	(25,719)	(10,537)
2001-02	31,214	(13,850)	(35,627)	(31,214)	(17,364)
2002-03	32,352	(14,292)	(36,258)	(32,352)	(18,060)
2003-04	29,254	(25,251)	(52,362)	(29,254)	(4,003)
2004-05	42,568	(47,151)	(74,967)	(42,568)	4,583
2005-06	37,294	(44,819)	(74,934)	(37,294)	7,525
2006-07	30,288	(52,906)	(67,838)	(30,288)	22,618
2007-08	37,582	(43,662)	(66,165)	(37,582)	6,080
2008-09	64,264	(41,587)	(68,782)	(64,264)	(22,677)
2009-10	67,967	(71,526)	(71,526)	(67,967)	3,559
2010-11	54,842	(66,462)	(66,463)	(54,842)	11,620
2011-12	58,241	(6,724)	(72,704)	(58,241)	(51,517)
Total	\$ 563,284	\$ (470,326)	\$ (795,076)	\$ (563,284)	\$ (92,958)

Consequently, the unused portion of offsetting reimbursements related to enrollment fee collection costs total \$231,792 as follows:

Fiscal Year	Actual Offsets	Offset	Unused Portion of Offsets (A-B)
	Confirmed by the CCCCO (A)	Applicable to Audit (B)	
1998-99	(37,046)	(27,123)	(9,923)
1999-2000	(35,552)	(24,576)	(10,976)
2000-01	(34,852)	(25,719)	(9,133)
2001-02	(35,627)	(31,214)	(4,413)
2002-03	(36,258)	(32,352)	(3,906)
2003-04	(52,362)	(29,254)	(23,108)
2004-05	(74,967)	(42,568)	(32,399)
2005-06	(74,934)	(37,294)	(37,640)
2006-07	(67,838)	(30,288)	(37,550)
2007-08	(66,165)	(37,582)	(28,583)
2008-09	(68,782)	(64,264)	(4,518)
2009-10	(71,526)	(67,967)	(3,559)
2010-11	(66,463)	(54,842)	(11,621)
2011-12	(72,704)	(58,241)	(14,463)
Total	<u>\$ (795,076)</u>	<u>\$ (563,284)</u>	<u>\$ (231,792)</u>

Enrollment Fee Waivers

For the audit period, the district claimed offsetting reimbursements for enrollment fee waivers totaling \$1,295,864 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 \$1,483,647 for the audit period. We also limited 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 \$603,217; therefore, this amount represents offsets applicable to the audit period. The district claimed \$1,295,864. Consequently, the district overstated allowable enrollment fee waivers offsets by \$692,647, as follows:

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)
1999-2000	\$ 14,465	\$ (44,164)	\$ (65,510)	\$ (14,465)	\$ 29,699
2000-01	15,573	(47,542)	(74,983)	(15,573)	31,969
2001-02	18,596	(63,685)	(69,904)	(18,596)	45,089
2002-03	32,972	(75,407)	(81,637)	(32,972)	42,435
2003-04	31,306	(73,447)	(92,975)	(31,306)	42,141
2004-05	45,011	(91,485)	(132,925)	(45,011)	46,474
2005-06	46,140	(88,943)	(121,884)	(46,140)	42,803
2006-07	43,122	(123,718)	(136,017)	(43,122)	80,596
2007-08	61,130	(151,186)	(129,619)	(61,130)	90,056
2008-09	63,520	(149,691)	(127,106)	(63,520)	86,171
2009-10	65,729	(171,190)	(145,314)	(65,729)	105,461
2010-11	79,191	(215,406)	(162,742)	(79,191)	136,215
2011-12	86,462	-	(143,031)	(86,462)	(86,462)
Total	<u>\$ 603,217</u>	<u>\$ (1,295,864)</u>	<u>\$ (1,483,647)</u>	<u>\$ (603,217)</u>	<u>\$ 692,647</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee waivers costs total \$880,430 as follows:

Fiscal Year	Actual Offsets Confirmed by the CCCCO (A)	Offset Applicable to Audit (B)	Unused Portion of Offsets (A-B)
1999-2000	\$ (65,510)	\$ (14,465)	(51,045)
2000-01	(74,983)	(15,573)	(59,410)
2001-02	(69,904)	(18,596)	(51,308)
2002-03	(81,637)	(32,972)	(48,665)
2003-04	(92,975)	(31,306)	(61,669)
2004-05	(132,925)	(45,011)	(87,914)
2005-06	(121,884)	(46,140)	(75,744)
2006-07	(136,017)	(43,122)	(92,895)
2007-08	(129,619)	(61,130)	(68,489)
2008-09	(127,106)	(63,520)	(63,586)
2009-10	(145,314)	(65,729)	(79,585)
2010-11	(162,742)	(79,191)	(83,551)
2011-12	(143,031)	(86,462)	(56,569)
Total	<u>\$ (1,483,647)</u>	<u>\$ (603,217)</u>	<u>\$ (880,430)</u>

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

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

Enrollment Fee Collection Program:

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

Enrollment Fee Waiver Program:

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

July 1, 1999 to July 4, 2000:

- For low income students² or recipients of public assistance³, or dependents or surviving spouses of National Guard soldiers killed in the line of duty⁴ as defined:
 - an offset identified in Education Code section 76300, subdivision (m), that requires the community college Board of Governors, from funds in the annual budget act, to allocated to community college two percent (2%) of the fees waived, under subdivision (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined] of section 76300; and

- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined), or dependents or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived:
 - from funds provided in the annual State Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to seven (7%) of the fee waivers provided, pursuant to subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (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 recommended that the district report the applicable offsetting reimbursements for the Enrollment Fee Collection and Waivers Program on its mandated cost claims based on information provided by the CCCCCO.

District's Response

The offsetting amounts are not actually "reimbursements," rather they are funds provided by the state to implement the program and are based on statewide statutory rates and not actual cost of the program to the District. The offsetting revenue amounts are applied to the audited direct and indirect costs. The offsetting revenues identified in the parameters and guidelines (Part VII) are of three types: the enrollment fee collection 2% administrative offset for all fiscal years, the enrollment fee waiver 2% BFAP allocation beginning FY 2000-01, and the \$.91 per unit waived BFAP-SFAA allocation beginning FY 2000-01 (7% for FY 1999-00 only).

	<u>Enrollment Fee Collection</u>	<u>Enrollment Fee Waiver</u>
A. Claimed Offset	<\$470,326>	<\$1,295,864>
B. Audited Offset	<\$795,076>	<\$1,483,647>
C. Difference (B-A)	<\$324,750>	<\$187,783>
D. Offset Applied to Audit	<\$550,245>	<\$602,983>
E. Difference (D-A)	<\$ 79,919>	<\$692,881>
F. Unused Offset(C-E)	<\$244,831>	<\$880,664>

The District claimed offsetting program revenues totaling \$470,326 for enrollment fee collection. The audited amount is \$795,076, of which only \$550,245 could be applied since only that audited amount of direct and indirect costs remained from the previous findings, leaving \$244,831 that could not be applied. The District claimed offsetting program revenues totaling \$1,295,864 for enrollment fee waiver. The audited amount is \$1,483,647, of which only \$602,983 could be applied since only that audited amount of direct and indirect costs remained from the previous findings, leaving \$880,664 that could not be applied. If the incorrect reduction claim results in increases to any of the costs for the previous eight findings, the unused revenue offsets will continue to reduce those costs.

The District concurs and complied with the auditor's recommendation that claimants should report the revenue sources identified in the parameters and guidelines as an offset to the program costs. The audit report amounts are based on a post-facto specific data query to the Chancellor's data using seasoned data not available at the time of the claim preparation. The District and other claimants at the time the annual claims are prepared must calculate the amounts based on contemporaneous enrollment information and the number of units waived, which would be a continuing source of differences.

There is no dispute of these audited potential revenue offset amounts at this time. However, only the relevant revenue offsets should be applied to the relevant costs claimed or allowed. Specifically, in Finding 3 the audited "multiplier calculation" for the enrollment fees collection direct cost determination is reduced for online transaction percentages retroactive to FY 2007-08. That is, the claimed and audited costs are both based only on "in-person" enrollment fee collections. The audit incorrectly applies all of the program revenues, that is, the revenues generated by both the in-person and online computer collections, to the audited enrollment fee in-person only collection costs. The audited revenue offset should be reduced by the same percentage each fiscal year that the cost multiplier is reduced for the percentage of online transactions

costs in order to properly match revenues and costs as required by generally accepted accounting principles. For FY 2011-12, the District claim reduced the reported offsetting revenue to \$6,724, an amount proportional to only those enrollment fee collections made in person and not online. The audit report should be changed to make a similar reduction to the offsetting revenues for each fiscal year that included online enrollment fee collections.

SCO's Comments

As a result of the additional allowable costs for Enrollment Fee Collection, as discussed in our comments for Findings 1 and 3, the audit adjustment for offsetting revenues received for the costs of the enrollment fee collection program during the audit period increased by \$13,039, from \$79,919 to \$92,958 (overstated by \$55,985 and understated by \$148,943). As a result of the additional allowable costs for Enrollment Fee Waivers, as discussed in our comments for Finding 4, the audit adjustment for offsetting revenues received for the costs of the enrollment fee waivers program during the audit period decreased by \$231, from \$692,881 to \$692,647.

The district does not dispute the "potential" revenue offset amounts. However, the district states its belief that the audited revenue offsets for FY 2007-08 through FY 2011-12 should be reduced by the same percentage of online transaction costs "in order to properly match revenues and costs." In other words, the offsets should only be based on enrollment fees collected through "in-person" transactions. We disagree.

The "matching principle" that the district refers to in its response is used by accountants for accrual accounting purposes in order to recognize expenditures or expenses in the proper period in which they were incurred for proper reporting within financial statements. The matching principal is not used to match revenues with associated expenditures.

The revenues received by the district from the CCCCCO were based on 2% of the revenue from enrollment fees received by the district from students and were intended to cover the costs incurred by the district to implement the program of calculating and collecting enrollment fees from students. The specific program costs subject to mandate reimbursement are those identified in Section IV.A. of the parameters and guidelines (Reimbursable Activities – Enrollment Fee Collection). The costs claimed by the district for FY 2007-08 through FY 2011-12 under this section of the parameters and guidelines included the one-time activities of preparing policies and procedures and staff training as well as all six ongoing activities for calculating and collecting enrollment fees from students.

However, the pro-ration of costs to reflect the payment of enrollment fees online applied only to reimbursable Activity 2 (Calculating and Collecting the Fee) and Activity 4 (Updating Written and Computer Records). To determine the allowable costs, we applied the time increments required to perform these activities by the number of students appearing in-person to pay their enrollment fees based on the applicable productive hourly rates of district staff that performed these activities.

Based on the results of our audit, the district has already been fully reimbursed for the costs to implement the program of calculating and

collecting fees from students for FY 2007-08 through FY 2011-12 through the receipt of offsetting revenues from the CCCCCO. Further, our audit report identifies that the district has received offsetting revenues beyond the actual costs that it incurred to perform these reimbursable activities.

**FINDING 10—
Understated Productive
Hourly Rates for
Calculating and
Collecting Enrollment
Fees, and Waiving
Student Fees cost
component**

For the audit period, the district calculated average productive hourly rates separately for employees involved in calculating and collecting enrollment fees and for employees involved in waiving student fees. The district calculated its average productive hourly rates using a straight average methodology. However, we noted various calculation errors made in the district's productive hourly rate calculations related to enrollment fee collection and enrollment fee waiver activities for FY 2005-06 through FY 2011-12. Accordingly, we made adjustments to the productive hourly rate average for those years.

For the audit period, the district calculated an average productive hourly rate for the employees involved in enrollment fee collection, and enrollment fee waiver activities by calculating each employee's productive hourly rate, adding up the total of individual productive hourly rates, and dividing by the number of employees. During our review of the district's calculations, we noted various errors in the district's calculations.

To calculate the productive hourly rates for FY 2005-06 through FY 2011-12, the district used a standard 21% employee benefit rate instead of the actual employee benefit rates. However, the use of a standard 21% employee benefit rate for claiming mandated costs is applicable only to the Collective Bargaining mandated program. Source documents containing the actual salary data for district staff implementing the Enrollment Fee Collection and Waivers Program for FY 1998-99 through FY 2004-05 were unavailable.

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).

We requested actual salary and benefit information from the district for staff who worked in the Admissions and Records Office and in the Financial Aid Office during the audit period. The district was able to provide this information only for FY 2005-06 through FY 2011-12. In order to determine the applicable benefit rates, we obtained the Governmental Fund Group –Revenues, Expenditures, and Fund Balance Data Report from the CCCCO for all fiscal years except FY 1998-99 through FY 2003-04. This report is part of the district’s Annual Financial and Budget Report (CCFS311). We used salaries and benefits data from these reports to calculate the district-wide benefit rates. When calculating the productive hourly rates for district employees, we used productive-hour information provided by the district. Based on our analysis, we found that the district understated the employee benefit amounts that were added to employee salaries when calculating staff productive hourly rates.

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 Collection		Difference
	Claimed	Audited	
	Average	Average	
	Productive	Productive	
	Hourly	Hourly	
	Rate	Rate	
2005-06	\$ 24.75	\$ 27.00	\$ 2.25
2006-07	23.71	26.70	2.99
2007-08	27.50	29.12	1.62
2008-09	37.92	40.66	2.74
2009-10	37.57	41.15	3.58
2010-11	38.28	41.52	3.24
2011-12	34.79	37.99	3.20

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

Fiscal Year	Enrollment Fee Waivers		Difference
	Claimed	Audited	
	Average	Average	
	Productive	Productive	
	Hourly	Hourly	
	Rate	Rate	
2005-06	\$ 29.24	\$ 31.01	\$ 1.77
2006-07	27.17	29.23	2.06
2007-08	31.71	34.30	2.59
2008-09	31.05	33.30	2.25
2009-10	30.48	34.26	3.78
2010-11	32.04	33.27	1.23
2011-12	-	37.06	37.06

The following table summarizes the claimed benefit rates, recalculated rates, and audit adjustments:

<u>Benefit Rate Adjustments</u>			
<u>Fiscal Year</u>	<u>Claimed Rate</u>	<u>Allowable Rate</u>	<u>Difference</u>
1998-99	21.00%	21.00%	0.00%
1999-2000	21.00%	21.00%	0.00%
2000-01	21.00%	21.00%	0.00%
2001-02	21.00%	21.00%	0.00%
2002-03	21.00%	21.00%	0.00%
2003-04	21.00%	21.00%	0.00%
2004-05	21.00%	21.00%	0.00%
2005-06	21.00%	28.34%	7.34%
2006-07	21.00%	30.17%	9.17%
2007-08	21.00%	30.87%	9.87%
2008-09	21.00%	29.75%	8.75%
2009-10	21.00%	32.77%	11.77%
2010-11	21.00%	31.74%	10.74%
2011-12	21.00%	35.20%	14.20%

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 calculated the employee productive hourly rates for the salary and benefits using a standard 21% employee benefit rate, which is a statewide standard developed for the Collective Bargaining mandate program in 1979, instead of the actual employee benefit rates. During the audit the District provided the actual salary data for FY 2003-04 through FY 2011-12. Using this and information still available from Chancellor's Office for FY 2004-05 and thereafter, the auditor calculated the actual benefit rates. These rates were higher than the standard 21% claimed. The District concurs with this finding.

SCO's Comment

The district concurs with this finding.

**OTHER ISSUE —
Documentation
Standards**

The district's response included a general statement regarding the documentation of staff time to implement the mandated program.

District's Response

Please see the Attachment for the district's general statement regarding documentation standards.

SCO's Comments

The district correctly notes that the parameters and guidelines were adopted January 26, 2006, seven years after the first year of the claiming period. The district states that "districts were not on notice of the activities approved for reimbursement that should be documented until the eighth year of the eligibility period." We disagree. The program's statement of decision for the legislatively mandated program was adopted on April 24, 2003. On page 22 of that document, the Commission states that it agreed that the test claim legislation imposes a partial reimbursable state-mandated program on community college districts for the following activities:

- Calculating and collecting the student enrollment fee for each student except for nonresidents, and except for special part-time students...;
- 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 CCCCCO the number and amounts provided for BOGG fee waivers; and
- Adopting procedures that will document all financial assistance provided on behalf of students...and including in the procedures the rules for retention of support documentation

Therefore, community college districts were "on notice" that the mandated program existed as early as April 24, 2003.

The district's comments also focused on documentation provided for claims filed under the initial filing period of FY 1998-99 through FY 2005-06. The audit period includes district filed annual claims for the mandated program for an additional six fiscal years beyond the initial filing period. However, none of the claims filed by the district for the 14 years in the audit period include actual cost documentation that is in compliance with the documentation requirements stated in the parameters and guidelines. Throughout the audit period, we gained an understanding of the different processes relevant to reimbursable activities and expanded audit procedures as necessary in determining the allowable portion of claimed costs.

**OTHER ISSUE—
Public Records Request**

The district's response included a public records request.

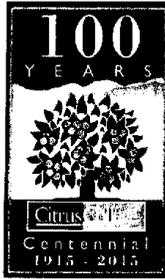
District's Response

The District requests that the Controller provide the District any and all written instructions, memoranda, or other writings in effect and applicable to the audit procedures and findings for audits of this mandate program. Government Code Section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in possession of the agency and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District, the agency must state the estimated date and time when the records will be made available.

SCO's Comments

The SCO will respond to the district's request separately from this report.

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



**CITRUS COMMUNITY
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March 2, 2015

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

Re: Enrollment Fee Collection and Waivers
FY 1998-99 through FY 2011-12
Citrus Community College District

Dear Mr. Spano:

This letter is the response of the Citrus Community College District to the draft audit report for the above-referenced program and fiscal years transmitted by the letter dated February 20, 2015, from Jeffrey V. Brownfield, Chief, Division of Audits, and received by e-mail on February 20, 2015.

All of the amounts claimed for reimbursement for all fiscal years audited have been disallowed by the audit. Therefore, an audit appeal will be filed since most of the adjustments are based on Controller audit policies, the propriety of which can only be determined by appeal to the Commission on State Mandates. The District's incorrect reduction claim will be submitted to the Commission after we receive the final audit report.

DOCUMENTATION STANDARDS

Before responding to the specific findings, a general statement regarding the documentation of staff time spent on implementing the mandate program is needed. The majority of the direct costs claimed are the staff time, and most of these costs are disallowed by the audit. The draft audit report essentially asserts that the provided source documents are inappropriately or insufficiently documented. The report cites the parameters and guidelines as the legal standard for source documentation:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document

created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign in sheets, invoices, and receipts.

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

It is important to recall that the parameters and guidelines were adopted January 26, 2006, and the first claiming instructions were issued April 3, 2006, which is seven years after the first fiscal year in the audit period. Thus, districts were not on notice of the activities approved for reimbursement that should be documented until the eighth year of the eligibility period. It would seem patently unreasonable to require the scope of contemporaneous documentation of daily staff time desired by the Controller for the retroactive initial fiscal years. While some historic staff time can be reconstructed from calendars and desk diaries, other staff time cannot and must be reported as a good-faith estimate where the desired information is not maintained in the regular course of business. The District agrees with the audit report recommendation that claimants maintain records that document actual time spent on mandate-related activities, but it would be a more realistic standard only for fiscal years several years after the period of the initial fiscal year claims.

None of the governmental entities that establish the accounting standards and reporting requirements for community college districts publish any standards or reporting requirements for state mandate cost accounting. Nor does the Controller, whose particular responsibility has been the payment and audit of the mandate annual claims for more than thirty years, publish cost accounting forms for use by claimants to record staff time spent on mandates. In the absence of governmental standards, districts must retroactively rely upon documentation produced in the regular course of business as well as additional forms designed, usually by mandate consultants, for the collection of staff mandate time not otherwise available from regular business records. Uniform compliance would be more likely if the Controller published forms for this purpose, as the Controller has done for other programs within the Controller's payment and audit jurisdiction.

This District utilized forms prepared by its consultant to document staff time spent on the mandates. These forms are in the nature of certified declarations that are within the scope of the parameters and guidelines documentation standards. Where these forms or other documentation were apparently sufficient, the auditor made qualitative judgments regarding the scope of activities as to whether they were related to the mandate program. Where it was not, the auditor disallowed the claimed costs for insufficient documentation. In some cases, average staff time per activity was claimed, and disallowed, and the auditor then substituted audited average staff time based on personal observation of the activities as currently implemented. By substituting their own time observations for some of the activities, Controller staff are validating the concept of using average times as an acceptable method for the calculation of the mandate costs. The difference becomes one of fact, how much time to allow for each activity. Also, where the District's reported time and workload statistics were accepted by the auditor for some activities, the Controller is validating the District's good faith method and the mandate consultant's forms as an acceptable method for estimating average time. Since all of these choices are of basic differences, the dispute has to be resolved by the incorrect reduction claim process.

Two general comments regarding the efforts by District staff to provide source documentation beyond that which was used to prepare the annual claims. First, the draft audit report contains phrases such as "the district did not provide . . ." in reference to documentation requested by the auditor. It must be remembered that the audit period includes 14 fiscal years and retention rules for different types of documentation are generally three or five years in the usual course of business. Further, it often appeared that the auditor was requesting a "second piece of paper" to corroborate the source of the claimed staff time, often without specifying the type of additional corroboration, that is, what additional piece of paper, is required. The audit does not indicate what additional source document should be reasonably available, or whether it actually exists, in the usual course of business at this or any other college district, or is strictly required by any published mandate cost accounting standard. So, it would be more appropriate to state in some of these instances that the District staff *could not* rather than *did not* provide a second piece of paper that was beyond a usual record retention period or never even existed.

Second, the auditor stated at the exit conference that the program staff could not always explain how their duties were within the scope of the mandate activities. These auditor-staff discussions often devolved to the auditor reading and repeating the parameters and guidelines language to the program staff. Program staff are not required to be mandate reimbursement experts. Whereas all District staff can explain their duties, it is up to the auditor, not the program staff, to make the qualitative conclusion as to whether those activities are reimbursable. It would be more appropriate for the audit report to state why the auditor concluded that the

staff duties do not match the mandate activities, rather than to shift that burden to program staff to somehow prove that the activities match the parameters and guidelines language.

AUDIT FINDINGS

FINDING 1 Enrollment Fee Collection: Preparing Policies and Procedures Cost Component – Unallowable One-Time Costs

The District claimed \$68,313 in salaries and benefits during the audit period for the activity of preparing district policies and procedures for the collection of enrollment fees. The draft audit states that \$16,858 is allowable and \$51,455 is unallowable. The audit adjusted FY 2006-07 and FY 2007-08 only: 1,014 hours for fiscal year (FY) 2006-07 and 479 hours for FY 2007-08 for five district staff. The other years were stated to be below the Controller's materiality threshold. The audit report states that the adjustments were made for the following reasons:

For costs to be reimbursable more than once, the district must provide actual cost documentation supporting the extent to which it incurred costs for preparing district policies and procedures which resulted from changes in state law. Activities undertaken by the district to update its own policies and procedures regarding the collection of enrollment fees are unallowable.

The parameters and guidelines state that preparing district policies and procedures is reimbursable as a one-time activity. When there is a need to update a policy or procedure, this is a new one-time activity. There is no stated requirement to distinguish this work as a result of changes to District procedures (e.g., new accounting system software) or changes in state law as asserted by the draft audit report. Regardless, there have been numerous changes in state law as a result in changes in the enrollment fee amounts, among other things, over the years. The language of Education Code Section 76300 changed frequently and the subject matter of the relevant Title 5, CCR, sections may have been updated by the Board of Governors.

This mandate activity was not observable by the auditor. The District written policies and program procedures are the work product for this activity and were available to the auditor to evaluate the hours claimed. This staff time should either be reinstated or reevaluated to evaluate the hours claimed to changes to state laws and District accounting software.

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

The District claimed 97,746 in salaries and benefits during the audit period for the activity of training district staff who implement the program on the procedures for the collection of enrollment fees. The audit report states that 8,818 is allowable and 88,928 is unallowable, representing 2,515.5 staff hours. The audit report allows the claimed time for four fiscal years without review due to materiality and disallowed all of the claimed time for ten fiscal years. The audit report states that the adjustments were made for the following reasons:

The costs are unallowable because the district claimed estimated costs and did not provide documentation related to the nature of the training provided, the length of the training, which employees attended the training, or whether any of the training costs related to the trainers' time. In addition, the activity is reimbursable only on a one-time basis per employee and costs were claimed for several district staff members multiple times in district claims covering a 14-year period. For costs to be reimbursable, the district will need to provide actual cost documentation supporting the extent that it incurred costs for training new district staff tasked with implementing the program on the procedures for the collection of enrollment fees, as well as costs incurred for district staff who provided the training.

For costs to be reimbursable more than once per employee, the district must provide actual cost documentation supporting the extent that it incurred costs for training district staff that resulted from changes in state law.

The finding does not distinguish the amounts between the staff time disallowed for trainee staff claimed more than once by name or for hours claimed without sufficient documentation as to the content of the training. The audit report ostensibly disallows training time for employees who were claimed more than once during the fourteen fiscal years in the audit period. However, it should be considered that the content of the training would change over the span of years; thus, new content would be a new one-time activity for any repeat staff members. The language of Education Code Section 76300 changed frequently and the subject matter of the relevant Title 5, CCR, sections may have been updated by the Board of Governors. It should also be anticipated that the name of the supervisors or managers conducting the training would appear in the claims for several years either for individual job training or meetings. There should be no blanket disallowance of staff time for persons whose name appears more than once, whether a new or existing employee, without a determination of whether the subject matter of the training was duplicate of previously claimed training activities.

The audit report also ostensibly disallowed claimed time for lack of supporting documentation. The District provided documentation in the form of declarations, which are acceptable source documentation. The audit

does not indicate how this documentation was not "actual cost documentation." This staff time should either be reinstated or reevaluated to compare the hours claimed with changes to state laws and District procedures, as well as addressing the eligibility of time reported by a supervisor for training new staff.

FINDING 3 Enrollment fee Collection: Calculating and Collecting Enrollment Fees Cost Component– unallowable ongoing costs

The District claimed \$3,716,731 in salaries and benefits for the enrollment fees cost component during the audit period. The cost of staff time to implement this mandate component (Activities 1 through 6) is based on average times to implement each activity, multiplied by the average productive hourly rate for the relevant positions, then multiplied by the relevant workload statistic (e.g., the number of students paying an enrollment fee). The audit report adjusts all three of these components.

The draft audit report states the \$383,566 is allowable and \$3,333,165 is unallowable, because the District estimated the amount of time required to perform the reimbursable activities and did not provide any "source" documentation based on actual data. The audit report also replaces the number of students used in the District calculation with student enrollment data obtained by the auditor from the Chancellor's Office and reduces the number of students who paid their enrollment fees online rather than in person. The collective effect of the disallowances is a 90% reduction of the 127,761 claimed mandate program hours to 12,545. There is a reduction of the same magnitude for the \$3,716,731 in claimed costs to \$383,566. Based on the audited net enrollment of 395,873 for the audit period, the imputed audited average time for all six activities per enrollment is an improbable 1.9 minutes and 97 cents per enrollment.

A. Average activity time

Using certification forms developed by the District's mandated cost consultant, District staff who implemented the mandate responded to six time surveys conducted over the 14-year audit period. Each person estimated their average individual times required to perform each of the six reimbursable activities. These individual averages were then combined and averaged for each activity. These averages were rejected by the auditor for Activities 1 through 4 and accepted for Activities 5 and 6 even though the same forms and time survey methods were used.

For Activities 1 through 4, collecting the enrollment fee, the District claimed average times per student transaction of 17.1 to 30.1 minutes over the 14 years. The auditor decided that the good faith time estimates reported by District staff were "overstated." The auditor held discussions with program staff in order to determine the procedures used to perform the reimbursable

activities. The auditor observed 102 transactions at the cashier's office over several days, of which 82 involved the payment of enrollment fees encompassing Activities 1 through 4, totaling 173.64 minutes. The average observed time to perform all four activities was 2.12 minutes; or 0.53 minutes per activity.

This 88% to 93% reduction in time allowed for in-person transactions is the first and largest source of the cost reduction. However, the auditor's observation sample size is statistically meaningless. The audited net enrollment transactions is 395,873 over the 14-year period, of which 102 student transactions were observed in 2013. The audit report does not state that the collection procedures observed necessarily matched the entire scope of the parameters and guidelines and these procedures may have changed over the years. For these and many other reasons the auditor's observation process does not constitute a representative "time study" sample.

For Activity 5, collecting delinquent fees, the District claimed what appears to be actual times, rather than average times, of 63.9 to 139 minutes for nine of the years, FY 1998-99 through 2006-07, and then an average time of 3.5 to 7.5 for the remaining five years, FY 2007-08 through 2011-12. The auditor observed the District Bursar run a process using the District's software system to identify students that had not paid enrollment fees and needed a hold placed on their accounts. These students were then sent a notice or letter to make payment to the district for past due enrollment fees. The auditor determined that the average time to process a student delinquent account is 3.68 minutes, which is consistent with the time reported by District staff for the last five years.

For Activity 6, providing a refund when fee waiver eligibility is established after enrollment fee collection, the District claimed average times ranging from 4.1 to minutes to 6.7 minutes per student for the eleven years for which these costs were claimed, FY 2001-02 through 2011-12. The audit report allows these claimed averages as acceptable based on observation of one phase of the process and the program staff's explanation of the process. Indeed, the audit report states "that the district may have understated the total time required to perform this reimbursable activity."

B. Workload multipliers

For Activities 1 through 4, collecting the enrollment fee, the combined average staff time for each activity is multiplied by a specific enrollment statistic to determine the claimable staff time. Both the District and the auditor used this method. The draft audit report rejects the Chancellor's MIS enrollment data reported by the District and substitutes modified MIS enrollment data the auditor obtained from the Chancellor's Office. The audited workload multipliers remove the number of duplicated students,

nonresident students, and special admit students. The District does not dispute these statistics at this time.

These statistics are further reduced for the percentage of online enrollment fee collections. This is the second major source of cost reduction. When this program became a mandate in FY 1998-99, there was no online fee collection, so it was not a factor for the annual claim workload statistics. The District workload multipliers treated all enrollment fee collection transactions as an "in-person" transaction at the cashier's office. However, commencing FY 2007-08, the District began an internet online method to collect the enrollment fee. Based on information provided by the District during the audit, the percentage of fees paid in person and online, the multiplier was reduced by the percentage of students who paid on line. This method appears reasonable.

For Activity 5, collecting delinquent enrollment fees, the auditor accepted the number of delinquent fees processed based on the District source data.

For Activity 6, providing a refund for students who establish fee waiver eligibility after the enrollment fee has been collected, the District provided the number of refunds processed beginning FY 2001-02 and the auditor accepted these statistics except for FY 2009-10 and FY 2011-12, when the statistics exceeded 100% of the students that received waivers. No workload multiplier was allowed for these two fiscal years. A more reasonable approach would have been to utilize an average from the other years where the auditor accepted the District data, rather than default to the documentation disallowance.

C. Electronic and information technology for enrollment fee collection

Beginning FY 2007-08, the District provided an internet online method to collect the enrollment fee. The auditor reduced the number of claimed in-person fee transactions for the portion of the students who paid the enrollment fees online. However, the audit findings do not replace the claimed staff time lost from these eliminated transactions with the costs to operate the online payment collections. Thus, no costs are recognized by the audit for the online transactions.

The submitted FY 2011-12 annual claim reduced the enrollment statistic by a percentage for online transactions. The annual claim for that year then included costs of \$85,625, a total of about 1,887 hours for five employees, for what the District identified as developing, procuring, maintaining, and using electronic and information technology for enrollment fee collection. The time claimed was for processing fee transactions, preparing Chancellor's Office MIS reports, tracking student payments, and coordinating with credit card companies. Similar costs were not claimed for prior years retroactive to when the online payment system started since FY

2011-12 was the first annual claim in which the District reduced the number of in-person statistics.

The draft audit states that the entire amount is unallowable primarily because the costs claimed are based on estimates and that the District did not provide any supporting documentation. The District provided documentation in the form of declarations, which are acceptable source documentation for annual claims. This adjustment is a matter of Controller policy and not subject to individual auditor discretion and a matter of statewide concern that can only be resolved by an incorrect reduction claim.

FINDING 4 Enrollment Fee Waivers: Preparing Policies and Procedures cost component – unallowable one-time costs

The District claimed \$26,665 during the audit period to prepare district policies and procedures for determining which students are eligible for a waiver of the enrollment fees. The audit report states that \$1,491 is allowable and \$25,174 is unallowable. The audit adjusted FY 2007-08 through FY 2010-11 only, a total of 303 hours for the Financial Aid administrator and Bursar. The other years were stated to be below the Controller's materiality threshold. The adjustments were made for the same reasons as Finding 1, that is, the one-time rule, lack of documentation, and local reasons for changing the policies and procedures.

The parameters and guidelines state that preparing district policies and procedures is reimbursable as a one-time activity. When there is a need to update a policy or procedure, this is a new one-time activity. There is no stated requirement to distinguish this work as a result of changes to District procedures (e.g., new accounting system software) or changes in state law as asserted by the draft audit report. Regardless, there have been many changes in state law as a result in changes in the enrollment fee amounts, among other things, over the years. The language of Education Code Section 76300 changed frequently and the subject matter of the relevant Title 5, CCR, sections may have been updated by the Board of Governors.

This mandate activity was not observable by the auditor. The District written policies and program procedures are the work product for this activity and were available to the auditor to evaluate the hours claimed. This staff time should either be reinstated or reevaluated to compare the hours claimed with changes to state laws and District accounting software.

FINDING 5 Enrollment Fee Waiver: Staff Training Cost Component – unallowable one-time costs

The District claimed \$25,504 in salaries and benefits during the audit period for the activity of training district staff who implement the program on the procedures for the waiver of enrollment fees. The audit report states that \$1,491 is allowable and \$24,103 is unallowable, representing 289 hours

reported by the Financial Aid administrators. This finding allows all of the claimed time for the first eight fiscal years without review due to materiality and disallowed all of the claimed time for FY 2007-08 through FY 2010-11. The adjustments were made for the same reasons as Finding 2, that is, the one-time rule, lack of documentation, and local reasons to provide the training.

As in Finding 2, the audit report does not distinguish the amounts between the staff time disallowed for trainee staff claimed more than once by name or for hours claimed without sufficient documentation as to the content of the training. The audit report ostensibly disallows training time for employees who were claimed more than once during the audit period. The content of the training would change over the span of years, thus, new content would be a new one-time activity for any repeat staff members. The name of the supervisors or managers conducting the training would appear in the claims for several years either for individual job training or meetings. There should be no blanket disallowance of staff time for persons whose name appears more than once, whether a new or existing employee, without a determination of whether the subject matter of the training was duplicate of previously claimed training activities.

The audit report also ostensibly disallowed claimed time for lack of supporting documentation. The District provided documentation in the form of declarations which are acceptable source documentation. The audit does not indicate how this documentation was not "actual cost documentation." This staff time should either be reinstated or reevaluated to compare the hours claimed with changes to state laws and District procedures, as well as addressing the eligibility of time reported by a supervisor for training new staff.

FINDING 6 Enrollment Fee Waivers: Adopting Procedures, Recording and Maintaining Records cost component – unallowable ongoing costs

The District claimed \$93,140 in salaries and benefits related to adopting procedures, recording, and maintaining records related to enrollment fee waivers. The audit report states that \$5,755 is allowable and \$87,385 is unallowable. The audit report allowed all of the claimed time for the first eight fiscal years without review due to materiality and disallowed all of the claimed time for FY 2007-08 through FY 2010-11. The audit report states that the adjustments were made for the following reasons:

Using survey forms developed by the district's mandated cost consultant, various district staff estimated the number of hours spent each year for "time spent by staff recording and maintaining records which document all of the financial assistance provided to students for the payment or waiver of enrollment fees in a manner which will enable an independent determination of the district's certification of

the need for financial assistance." However, recording and maintaining records for the payment of enrollment fees is not a reimbursable activity under this cost component. We made multiple requests to the district for documentation supporting the costs claimed for this reimbursable component. However, the district did not provide any actual cost documentation supporting the costs incurred. Therefore, these costs are unallowable.

This mandate activity was not observable by the auditor. The audit report apparently disallowed all claimed time reviewed for lack of supporting documentation, as a default finding. The District provided documentation in the form of declarations, which are acceptable source documentation. The audit does not indicate how this documentation was not "actual cost documentation." Multiple requests by the auditor for corroborating documentation, assuming another relevant piece of paper exists, for this and other findings does not improve the substance of the adjustment. The pertinent issues are that the claiming instructions were issued eight years after the program commenced, the audit started an additional seven years thereafter, and the auditor could not specify what additional District documentation would be available in the usual course of business to support the declarations and even if such documentation would satisfy the auditor.

FINDING 7 Enrollment Fee Waivers: Waiving Student Fees cost Component –unallowable ongoing costs

The District claimed \$1,285,654 in salaries and benefits for waiving enrollment fees for students who are eligible for BOGG fee waivers. The cost of staff time to implement this mandate component (Activities 7 through 12) is based on average time to implement each activity, multiplied by the average productive hourly rate for the relevant positions, then multiplied by the relevant workload statistic. The audit report adjusts all three of these components.

The audit report determined that \$398,123 is allowable and \$887,531 is unallowable because the District estimated the amount of time required to perform the reimbursable activities and did not provide any "source" documentation based on actual data. The audit report also replaces the number of students used in the District calculation with student waiver data obtained by the auditor from the Chancellor's Office. The collective effect of the disallowances is a 70% reduction of the 44,927 claimed mandate program hours to 12,845. There is a reduction of the same magnitude for the \$1,285,654 in claimed costs to \$398,123. Based on the audited number of waivers of 140,336 for the audit period, the imputed audited average time for all six activities per waiver is an unlikely 5.5 minutes and \$2.84 per waiver.

A. Average activity time

Using certification forms developed by the District's mandated cost consultant, program staff who implemented the mandate responded to three surveys conducted over the 13-year audit period (FY 1998-99 is not included in this part of the mandate). Each person estimated their average individual times required to perform each of the six reimbursable activities. These individual averages were then combined and an average calculated for all staff implementing each activity. These averages were rejected by the auditor for Activities 7 through 11 and no staff time was allowed for Activity 12.

For Activities 7 through 11, the waiver application processing, the District claimed average times per student transaction of 19.8 to 40.2 minutes over the 13 years. The auditor decided that the good faith time estimates reported by District staff were "overstated." The auditor held discussions with program staff in order to determine the procedures used to perform the reimbursable activities. The auditor observed 114 transactions at the financial aid office over several days encompassing Activities 7 through 11 totaling 405.39 minutes, or an average of 3.56 minutes. For the additional processing from FAFSA, Activity 11, the auditor observed 71 applications totaling 140.14 minutes or 1.97 minutes. The audited total average is 5.53 minutes for Activities 7 through 11.

This 72% to 86% reduction in time allowed for in-person transactions is the largest source of the cost reduction. However, the auditor's observation sample size is statistically meaningless. The audited number of waiver transactions is 140,336 over the 13-year period, of which 185 waiver transactions were observed. The audit report does not state that the procedures observed necessarily matched the entire scope of the parameters and guidelines and these procedures may have changed over the years. For these and many other reasons the auditor's observation process does not constitute a representative "time study" sample.

For Activity 12, appealing a denied BOGG waiver, the District claimed average times per student of 3.6 minutes to 6.9 minutes for nine fiscal years in the audit period. The auditor was unable to observe this process during the week of fieldwork because no appeals were received. Without this observation, the audit report defaults to total disallowance of this activity based on lack of documentation. However, the audit report also indicates that the auditor did obtain an understanding of the scope of the process from the program staff:

Through our discussions with district staff, we determined that the district does not have a written appeal process for denied BOGG fee waiver applications. However, during the audit, the district explained that any additional information and documentation provided by

students pertaining to fee waiver applications that were denied is considered an appeal of the initial denial of a BOGG fee waiver. According to the Financial Aid Office staff, denied BOGG fee waiver applications are rare. BOGG fee waivers are denied usually because the student's or the parents' income is too high. A comment is also inserted into a student's account explaining the reason for the fee waiver denial. Financial Aid Office management stated that students are instructed to apply for FAFSA if they do not qualify for a BOGG fee waiver.

There is no requirement in the parameters and guidelines for a written or formal appeal process. The audit report incorrectly concludes that the dispute resolution process is not an activity that would be amendable to a time study because it is not a task that is repetitive in nature. Perhaps, but the District reported 5,104 appeals for the audit period which is an amount sufficient for staff to generate an opinion of the time required for the average time it takes to resolve the wavier eligibility issues. Since the audit report does indicate that the auditor has an understanding of how this activity is implemented sufficient to render a judgment on whether the time claimed was reasonable, as the auditor has done for other activities the auditor was unable to directly observe, the auditor should also do so for this activity.

B. Workload multipliers

The average staff time for each activity is multiplied by a specific workload factor for each activity to determine the claimable staff time. Both the District and the auditor used this method. For Activities 7 through 11, the draft audit report replaces the District statistics with the workload data the auditor obtained from the Chancellor's Office which removes the number of unduplicated BOGG recipients. These corrections made by the auditor are not disputed at this time.

For Activity 12, appeals of denied BOGG fee waiver applications, the District reported 5,104 waiver applications requiring some sort of appeal function within the meaning of the parameters and guidelines. The audited multiplier is zero even though the District statistics were not evaluated, because the auditor did not observe the appeal process. Without this observation, the audit report defaults to total disallowance of this activity based on lack of documentation which will be a subject of the incorrect reduction claim.

FINDING 8 Unallowable indirect costs

An indirect cost rate is applied to all reimbursable direct costs to allocate administrative and other costs to the direct mandate program costs. The two sources of the total adjustment amount each year are the amount of direct costs previously adjusted to which the indirect cost rate is applied and the calculation of the indirect cost rate.

Direct Cost Adjustments

The District claimed indirect costs during the audit period totaling \$1,769,089 for enrollment fee collection activities. The audit concluded that \$141,003 is allowable and \$1,628,086 is unallowable. Most of this 92% reduction is attributable to Finding 3. The District claimed indirect costs of \$675,341 for enrollment fee waiver activities of which the auditor determined \$164,812 are allowable and \$510,529 are unallowable. Most of this 76% reduction is attributable to Finding 7.

Calculation of the Rates

<u>Fiscal Year</u>	<u>Claimed</u>	<u>Allowable</u>	<u>Adjustment</u>
1998-99	51.75%	19.46%	-32.29%
1999-00	44.86%	18.74%	-26.12%
2000-01	44.70%	18.31%	-26.39%
2001-02	45.74%	17.83%	-27.91%
2002-03	41.72%	20.87%	-20.85%
2003-04	45.53%	18.14%	-27.39%
2004-05	40.58%	39.86%	- 0.72%
2005-06	40.60%	41.89%	1.29%
2006-07	52.46%	42.25%	-10.21%
2007-08	52.46%	43.68%	- 8.78%
2008-09	47.53%	40.44%	- 7.09%
2009-10	42.72%	45.40%	2.68%
2010-11	46.82%	42.91%	- 3.91%
2011-12	44.37%	44.06%	- 0.31%

There are several sources for the differences:

CCSF-311 Choice: Both the District and the auditor calculated the indirect cost rates using the SCO FAM-29C methodology utilizing data from the California Community College Annual Financial Budget Report Expenditures by Activity Report (CCFS-311) submitted by the District to the Chancellor each year. However, the District used the prior year CCFS-311 and the auditor used the current audit year report. The District utilized prior year CCSF-311 reports because the current (annual claim) year CCSF-311 report and CPA audited financial statement depreciation expense are not always available when the annual claims are prepared. This is a source of minor differences from year-to-year that becomes insignificant because it is applied as a consistent method.

Depreciation Expense: The large differences prior to FY 2004-05 are the result of the District including capital costs from the CCSF-311 and the Controller excluding capital costs from the calculation. The audit excluded the capital costs every year until FY 2004-05 when the CPA depreciation expense was included by change in Controller policy. The Controller has

not stated a legal or factual reason to previously exclude or now include capital or depreciation costs, and this is a statewide audit appeal issue. Capital costs and depreciation costs will essentially trend to the same amount over a period of years.

Direct Costs: The other minor differences between the claimed rates and audited rates derive from the choice of how some of the costs are categorized as either direct or indirect for purposes of the calculation. These minor differences are within the realm of a reasonable interpretation of the nature (either direct or indirect) of the costs reported for each CCFS-311 account and the audit findings have not indicated otherwise. The audit report does not state that the District's choices are unreasonable, just that they aren't exactly the same as the Controller's choices using the same method.

There are no regulations or pertinent generally accepted methods for the calculation of the indirect cost rate, so it is a matter of professional judgment. The Controller's claiming instructions are unenforceable because they have not been adopted as regulations under the Administrative Procedure Act. The burden of proof is on the Controller to prove that the product of the District's calculation is unreasonable, not to recalculate the rate according to their unenforceable policy preferences. However, this is a statewide audit issue included in dozens of other incorrect reduction claims already filed that will have to be resolved by decision of the Commission on State Mandates.

FINDING 9 Understated and overstated offsetting reimbursements

The offsetting amounts are not actually "reimbursements," rather they are funds provided by the state to implement the program and are based on statewide statutory rates and not actual cost of the program to the District. The offsetting revenue amounts are applied to the audited direct and indirect costs. The offsetting revenues identified in the parameters and guidelines (Part VII) are of three types: the enrollment fee collection 2% administrative offset for all fiscal years, the enrollment fee waiver 2% BFAP allocation beginning FY 2000-01, and the \$.91 per unit waived BFAP-SFAA allocation beginning FY 2000-01 (7% for FY 1999-00 only).

	<u>Enrollment Fee Collection</u>	<u>Enrollment Fee Waiver</u>
A. Claimed Offset	<\$470,326>	<\$1,295,864>
B. Audited Offset	<\$795,076>	<\$1,483,647>
C. Difference (B-A)	<\$324,750>	<\$187,783>
D. Offset Applied to Audit	<\$550,245>	<\$602,983>
E. Difference (D-A)	<\$ 79,919>	<\$692,881>
F. Unused Offset (C-E)	<\$244,831>	<\$880,664>

The District claimed offsetting program revenues totaling \$470,326 for enrollment fee collection. The audited amount is \$795,076, of which only \$550,245 could be applied since only that audited amount of direct and indirect costs remained from the previous findings, leaving \$244,831 that could not be applied. The District claimed offsetting program revenues totaling \$1,295,864 for enrollment fee waiver. The audited amount is \$1,483,647, of which only \$602,983 could be applied since only that audited amount of direct and indirect costs remained from the previous findings, leaving \$880,664 that could not be applied. If the incorrect reduction claim results in increases to any of the costs for the previous eight findings, the unused revenue offsets will continue to reduce those costs.

The District concurs and complied with the auditor's recommendation that claimants should report the revenue sources identified in the parameters and guidelines as an offset to the program costs. The audit report amounts are based on a post-facto specific data query to the Chancellor's data using seasoned data not available at the time of the claim preparation. The District and other claimants at the time the annual claims are prepared must calculate the amounts based on contemporaneous enrollment information and the number of units waived, which would be a continuing source of differences.

There is no dispute of these audited potential revenue offset amounts at this time. However, only the relevant revenue offsets should be applied to the relevant costs claimed or allowed. Specifically, in Finding 3 the audited "multiplier calculation" for the enrollment fees collection direct cost determination is reduced for online transaction percentages retroactive to FY 2007-08. That is, the claimed and audited costs are both based only on "in-person" enrollment fee collections. The audit incorrectly applies all of the program revenues, that is, the revenues generated by both the in-person and online computer collections, to the audited enrollment fee in-person only collection costs. The audited revenue offset should be reduced by the same percentage each fiscal year that the cost multiplier is reduced for the percentage of online transactions costs in order to properly match revenues and costs as required by generally accepted accounting principles. For FY 2011-12, the District claim reduced the reported offsetting revenue to \$6,724, an amount proportional to only those enrollment fee collections made in person and not online. The audit report should be changed to make a similar reduction to the offsetting revenues for each fiscal year that included online enrollment fee collections.

Finding 10 Understated Productive Hourly Rates for Calculating and Collecting Enrollment Fees and Waiving Student Fees cost component

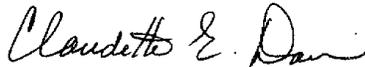
The District calculated the employee productive hourly rates for the salary and benefits using a standard 21% employee benefit rate, which is a statewide standard developed for the Collective Bargaining mandate

program in 1979, instead of the actual employee benefit rates. During the audit the District provided the actual salary data for FY 2003-04 through FY 2011-12. Using this and information still available from Chancellor's Office for FY 2004-05 and thereafter, the auditor calculated the actual benefit rates. These rates were higher than the standard 21% claimed. The District concurs with this finding.

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memoranda, or other writings in effect and applicable to the audit procedures and findings for audits of this mandate program. Government Code Section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in possession of the agency and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District, the agency must state the estimated date and time when the records will be made available.

Sincerely,



Claudette E. Dain, CPA
Vice President Finance and Administrative Services
Citrus Community College District

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