

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Board of Trustees
Los Angeles Community College District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Los Angeles Community College District (the District), which comprise the statement of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and the cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

FS-15-001: Information Technology

Condition and Context

During our review of the District's information technology controls during the fiscal 2007 audit, we identified control weaknesses in the areas of security and change management. These included the sharing of user accounts, extensive super user access and informal change management processes. These issues were determined to be significant deficiencies in the District's system of internal controls. During the fiscal 2015 audit, we evaluated the progress of the controls implemented to remediate the weaknesses identified during the audit.

The District has continued to make progress in remediating the previously identified issues, however control weaknesses have not been fully remediated to a level where general internal controls can be relied upon for audit purposes and the significant deficiencies continued to exist during fiscal year 2015.

The District implemented the Security Weaver tool to control access to the SAP environment, and a formal process for change management and the Mercury Quality Center application to manage its change management process. The District's IT further limited access to super user accounts identified in the last review however, certain legacy control weaknesses, continue to exist. The sharing of user accounts in the database environment and operating system underlying SAP, extensive administrative access in SAP and weaknesses in the change management process were found during the 2015 audit.

Cause and Effect

During 2006-07, LACCD completed post implementation activities for a new Enterprise Resource Planning System (SAP). In addition, in September 2013, the District implemented an SAP wide update. During both the implementation and the update certain access controls were not fully implemented and certain duties needed to be shared. While not ideal from a control standpoint, this also is not unusual for organizations that must continue to support business operations as complex systems implementations are being completed. However, weaknesses in the IT controls can significantly compromise both the security and accuracy of the data within a system and it is important that adequate controls are implemented.

With regard to change management, once a system is operational, further changes to the system are usually required to meet the business' developing needs. Such changes should be subjected to controls as formal as those used in the development or implementation of a new system. If there are weaknesses in managing system changes, the benefits originally gained by controlling the system's implementation can be quickly lost as subsequent changes are made.

Criteria

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. GAAP such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiencies described above continue to represent a significant deficiency in internal controls.

Recommendation

We recommend that management continue to evaluate and define the IT internal controls starting with a baseline of appropriate users that should have administrative and other elevated levels of access within SAP, the underlying database and operating systems. Segregation of duties should be expanded to ensure that each user should be assigned a unique user ID, whenever possible. If Security Weaver is to be used, tighter controls over authorizing the use of administrative accounts should be in place. In the rare cases where user IDs must be shared, controls should be established to monitor their usage. Additionally controls should be established to periodically review users and their access rights to validate the access rights assigned to users continue to be commensurate with their current job responsibilities. We recommend that the evaluation of the controls and baseline of users and their access rights be completed as soon as possible.

View of Responsible Officials

The District agreed with the recommendation and took the following steps:

- Improved IT internal security controls and Application Life Cycle Management Business Processes to manage Application Changes to SAP
- Refine the list of users with administrative and other elevated (Super User) access within SAP.
- Implemented processes and procedures to segregate duties as appropriate.
- Limited the use of shared user IDs to ensure that access is appropriate to the user's job responsibilities.

As of November 2015 we believe that the LACCD has implemented all the steps to fully address the audit finding.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described previously. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Los Angeles, California

December 9, 2015

**Report of Independent Auditors on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by
OMB Circular A-133**

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Los Angeles Community College District's (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Los Angeles Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings F-2015.001 through F-2015.005. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings F-2015.002 through F-2015.005, that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.



Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Los Angeles, California
December __, 2015

Independent Auditors' Report on Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California

Report on the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

We have audited the accompanying schedule of expenditures of federal awards and schedule of state financial awards of the Los Angeles Community College District (the District) for the year ended June 30, 2015.

Management's Responsibility for the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

Management is responsible for the preparation and fair presentation of the schedule of expenditures of federal awards and schedule of state financial awards in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule of expenditures of federal awards and the schedule of state financial awards that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of expenditures of federal awards and schedule of state financial awards are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of expenditures of federal awards and schedule of state financial awards. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of expenditures of federal awards and schedule of state financial awards, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of expenditures of federal awards and the schedule of state financial awards in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the



overall presentation of the schedule of expenditures of federal awards and schedule of state financial awards. We believe that our audit provides a reasonable basis for our opinion.

Opinion on the Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

In our opinion, the schedule of expenditures of federal awards and schedule of state financial awards referred to above present fairly, in all material respects, the federal and state expenditures of the Los Angeles Community College District for the year ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the schedule of expenditures of federal awards and the schedule of state financial awards of the District. The accompanying supplementary information listed below is presented for purposes of additional analysis and is not a required part of the schedule of expenditures of federal awards and the schedule of state financial awards.

- Reconciliation of the CCFS-311 data to audited financial statements.
- Reconciliation of the 50% Law Calculation to audited financial statements.
- Reconciliation of Education Protection Account expenditures to audited financial statements.
- Schedule of Workload Measure for State General Apportionment.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the schedule of expenditures of federal awards and the schedule of state financial awards. Such information has been subjected to the auditing procedures applied to the audit of the schedule of expenditures of federal awards and schedule of state financial awards and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the schedule of expenditures of federal awards and the schedule of state financial awards or to the schedule of expenditures of federal awards and the schedule of state financial awards themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying supplementary information is fairly stated, in all material respects, in relation to the schedule of expenditures of federal awards and the schedule of state financial awards as a whole.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District's management, the California Community Colleges Chancellor's Office, and the federal and state awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, California
December __, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(1) Summary of Auditors' Results

Financial Statements`

- (a) The type of report issued on the financial statements:
- (b) Internal control over financial reporting:
 - Material weakness(es) identified:
 - Significant deficiencies identified that are not considered to be material weaknesses:
- (c) Noncompliance which is material to the basic financial statements:

Federal Awards

- (d) Internal control over major programs:
 - Material weakness(es) identified: **No.**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See findings F-2015.002 to F-2015.005.**
- (e) The type of report issued on compliance for major programs:
 - Student Financial Assistance Cluster – **Unmodified.**
 - Higher Education Institutional Aid – **Unmodified.**
 - Career and Technical Education (CTE) Basic Grants to States (Perkins IV) – **Unmodified.**
 - TRIO Cluster – **Unmodified**
 - Education and Human Resources – **Unmodified.**
- (f) Any audit findings which are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,017,867.**
- (h) Major programs:
 - U.S. Department of Education
 - Student Financial Assistance Cluster:

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

84.007	Federal Supplemental Educational Opportunity Grant (FSEOG)
84.033	Federal Work Study (FWS)
84.038	Federal Perkins Loan (FPL)
84.268	Federal Direct Student Loan (Direct Loan)
84.063	Federal Pell Grant (PELL)

- Higher Education Institutional Aid

84.031	Higher Education Institutional Aid
84.031	California Alliance for the Long-term Strengthening of Transfer Engineering Programs
84.031	Title V Hispanic Servicing Institution Cooperative

- CTE Basic Grants to States (Perkins IV) – CFDA 84.048

- TRIO Cluster

84.042	Student Support Services
84.044	Talent Search
84.047	Upward Bound
84.066	Educational Opportunity Centers
84.047	UsC TRIO Upward Bound Programs

- Education and Human Resources

47.076	Academic and Student Support to Improve STEM Transfers
47.076	Riding the Road Map to Transfer Program

(i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **Yes.**

State Awards

(j) Internal control over state programs:

- Material weakness(es) identified: No.
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See findings S-2015.002 and S-2015.004.**

(e) The type of auditor’ report issued on compliance for state programs - **Unmodified**

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(2) Summary of Current Year Findings and Questioned Costs Relating to Federal Awards

	Finding number
1. Student Financial Assistance Cluster- Special Tests and Provisions – Enrollment Reporting – Inaccurate Reporting of Enrollment Status to National Student Loan Database System	F-2015.001
2. Career and Technical Education – Basic Grants to State (Perkins IV) – Allowable Costs/Cost Principles – Payroll Documentation	F-2015.002
3. Career and Technical Education – Basic Grants to State (Perkins IV) – Equipment Management – Policies and Procedures	F-2015.003
4. Higher Education – Institutional Aid – Allowable Cost/Cost Principles – Payroll Documentation	F-2015.004
5. Higher Education – Institutional Aid – Equipment Management – Policies and Procedures	F-2015.005

Finding F-2015.001 – Special Tests and Provisions – Enrollment Reporting – Inaccurate Reporting of Enrollment Status to National Student Loan Database System (NSLDS)

Federal Program Information

<i>Federal Catalog Number:</i>	84.268
<i>Federal Program Name:</i>	Student Financial Assistance Cluster: Federal Direct Student Loan (Direct Loan)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Valley College
<i>Federal Award Number and Award Year:</i>	OPE ID No. 00122800, July 1, 2014 to June 30, 2015 Federal Direct Student Loan ID: G01228

Criteria or Requirement

Title 34, Education, Subtitle B, Chapter VI – Part 685 – William D. Ford Federal Direct Loan Program – Subpart C – Requirements, Standards, and Payments for Direct Loan Program Schools, Section 685.309 Administrative and Fiscal Control and Fund Accounting Requirements for Schools Participating in the Direct Loan Program. b) Enrollment reporting process.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- (1) Upon receipt of an enrollment report from the Secretary, a school must update all information included in the report and return the report to the Secretary—
 - (i) In the manner and format prescribed by the Secretary; and
 - (ii) Within the timeframe prescribed by the Secretary.
- (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that—
 - (i) A loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Identified Condition

During our testing of compliance with special tests and provisions requirements for enrollment reporting, we noted that the enrollment status for 1 out of 38 students sampled with changes in enrollment status that occurred during the fiscal year was not accurately reported to NSLDS. The student graduated in Fall 2014 at Los Angeles Valley College but was reported to NSLDS as withdrawn. The District Information Technology Department is responsible for transmitting degree information to the National Clearinghouse. However, further review of Degree Transmission History to the National Clearinghouse indicates that there were no reporting made in January and February 2015.

Total Direct Loan expenditures for the fiscal year ended June 30, 2015 amounted to \$31,237,128.

Questioned Costs

\$2,250 out of \$139,488 sampled.

Possible Asserted Cause and Effect

The District utilizes the National Clearing House to report enrollment data and status changes to NSLDS. Adequate monitoring controls do not appear to be in place to ensure that student enrollment status changes are accurately reported to NSLDS.

Recommendation

We recommend that the District implement stricter controls to ensure that enrollment status changes are accurately reported to the NSLDS.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Valley College

The District Information Technology Department will ensure that the enrollment status changes (degrees) are accurately reported to NSLDS through the Clearinghouse by examining the current methodology and implementing stricter controls in the generation, retention, and transmission of files. Appropriate personnel will be notified when the files are generated, transmitted, and received by the Clearinghouse.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Finding F-2015.002 –Allowable Costs/Cost Principles – Payroll Documentation

Federal Program Information

<i>Federal Catalog Number:</i>	84.048
<i>Federal Program Name:</i>	Career and Technical Education – Basic Grants to State (Perkins IV)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	East Los Angeles College
<i>Federal Award Number and Award Year:</i>	14-C01-027, July 1, 2014 to June 30, 2015

Criteria or Requirement

Title 2, Grants and Agreements, Subtitle A, Chapter II – Part 685 – Appendix B to Part 225 – Selected Items of Cost, 8 – Compensation for Personal Services

- a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:
 - (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;
 - (2) Follows an appointment made in accordance with a governmental unit’s laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
 - (3) Is determined and supported as provided in subsection h.

h. Support of salaries and wages

These standards regarding time distribution are in addition to the standards for payroll documentation.

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee;
 - (b) They must account for the total activity for which each employee is compensated;
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods; and
 - (d) They must be signed by the employee.

Identified Condition

During our review of payroll charged to the Career and Technical Education – Basic Grants to State (Perkins IV) (CTE) program at East Los Angeles College, we noted that 1 out of 8 employees sampled did not have documentation of the actual time and effort the employee expended on the program. The timesheets that were provided did not reflect that the employee worked on the CTE program during the period tested. The other 11 payroll samples (7 from East Los Angeles College and 4 from Los Angeles Trade Tech College) have adequate documentation to support salaries and benefits charged to the program.

Questioned Costs

\$7,986 out of \$24,861 sampled

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure proper documentation of employees' actual time and effort to support salaries and related benefits charged to the program. Without proper documentation, these expenditures may be considered unallowable.

Recommendation

We recommend that the District implement stricter controls to ensure compliance with the federal program requirements of allowable/unallowable expenditures. Actual time and effort that employees spend on grant-funded activities should be properly documented to support salaries charged to the program.

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

It is an isolated incident due to the transition of supervisory staff. The employee time and effort was specifically for the federal program. The employee was mistakenly assigned to an incorrect fund/program and subsequently corrected via a charge back.

To remedy the situation, formalized communication of supervisory changes and the subsequent supervisory coverage of the former areas will remove any ambiguity of the individual currently responsible for staff and any associated accounts. When a transition occurs a review of the staff with particular attention to the positions funding source will be done. This will prevent any misunderstanding in what program an individual is being funded from. In this case, the individual was performing work for the program but it was not discovered until the year end close out that they had been in fact charged to another account. The individual has times sheets which confirm labor effort.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Finding F-2015-003 – Equipment Management – Policies and Procedures

Federal Program Information

<i>Federal Catalog Number:</i>	84.048
<i>Federal Program Name:</i>	Career and Technical Education – Basic Grants to State (Perkins IV)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	East Los Angeles College Los Angeles Trade Tech College
<i>Federal Award Number and Award Year:</i>	14-C01-027, July 1, 2014 to June 30, 2015

Criteria or Requirement

Title 2, Grants and Agreements,– Part 215 – Uniform administrative requirements for grants and agreements with institutions of higher education, hospitals, and other non-profit organizations (OMB Circular A-110), Subpart C – Post-Award Requirements – Financial and Program Management, Section 215.34 Equipment

- (f) The recipient’s property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:
- (1) Equipment records shall be maintained accurately and shall include the following information:
- (i) A description of the equipment;
 - (ii) Manufacturer’s serial number, model number, Federal stock number, national stock number, or other identification number;
 - (iii) Source of the equipment, including the award number;
 - (iv) Whether title vests in the recipient or the Federal Government;
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost;
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government);

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- (vii) Location and condition of the equipment and the date the information was reported;
 - (viii) Unit acquisition cost ; and
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
 - (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
 - (4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.
 - (5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

Identified Condition

During control procedures performed over equipment management, we noted that controls over equipment management were inadequate at East Los Angeles College and Los Angeles Trade Tech College. The following control deficiencies were noted:

- 3 out of 17 samples selected for equipment inspection cannot be located;
- 2 out of 17 samples selected for equipment inspection have no LACCD and CTE Perkins tags;
- 2 out of 17 samples selected for equipment inspection have no CTE Perkins tag;
- 2 out of 17 samples selected for equipment inspection were moved to another location but the move was not documented;
- Management at East Los Angeles College stated that there had been no physical inventory taken during the last two years;
- At Los Angeles Trade Tech College, there was no evidence that the results of the physical inventory were reconciled with the District's accounting records (SAP);

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- At East Los Angeles College the condition of the equipment was missing from the equipment records. This information is required by the federal regulations.

Questioned Costs

\$72,195 out of the \$473,559 of equipment sampled for physical inspection

Possible Asserted Cause and Effect

Procedures and controls were not properly designed to comply with federal requirements over updating inventory records and safeguarding of capital assets, which include physical inventory counts, reconciling results of physical inventory with inventory records, and safeguarding assets to prevent loss. The lack of controls to verify the existence of equipment and failure to reconcile inventoried equipment to the District's accounting records increase the risk that theft or misappropriation of program equipment may occur and not be detected on a timely basis.

Recommendation

We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include appropriate identification and tracking of capital assets and physical inventories and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets.

Views of Responsible Officials and Planned Corrective Actions

East Los Angeles College

Hard copy records indicate a physical inventory existed but incomplete in 2012. During the year 2012, the computer housing the digital files experienced a hard drive failure resulting in a complete data loss. During the 2014-2015 year new inventory items were added based on invoices and not on actual physical receipt. This was identified as an issue and process change was initiated. However, due to a recent staff departure during summer 2015 the inventory files were to be transferred to the Dean were not transferred and the flash drive with the previous files were also lost. Prior to the most recent audit, the Dean initiated the reconstruction of records of missing years.

Files from 2010 were found and the reconstruction of the missing years is progressing. The new equipment record is nearing completion and complies fully with the required information. Training has been provided to the Administration, Faculty, and Staff specific to the equipment record. Upon completion of new equipment record a comprehensive inventory will be performed. Additionally, efforts are underway to centralize the release of the invoice payments by allowing limited staff to authorize such payment to allow for physical inspection, tagging, and inventory of newly received items.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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Los Angeles Trade Tech College

Finding F-2015.004 –Allowable Costs/Cost Principles – Payroll Documentation

Federal Program Information

<i>Federal Catalog Number:</i>	84.031
<i>Federal Program Name:</i>	Higher Education – Institutional Aid (Improving STEM Success and Access for Hispanic Students at Los Angeles Mission College) Higher Education – Institutional Aid (Title V – Accelerating Success at Harbor College and STEM Passport Academy at Los Angeles Harbor College)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Mission College Los Angeles Harbor College
<i>Federal Award Number and Award Year:</i>	P031C110097-13-14, October 1, 2013 to September 30, 2015 (Improving STEM Success and Access for Hispanic Students at Los Angeles Mission College) P031S090008-13-14, October 1, 2013 to September 30, 2014 (Title V – Accelerating Success) P031C110096-13-14, October 1, 2013 to September 30, 2015 (STEM Passport Academy at Los Angeles Harbor College)

Criteria or Requirement

Title 2, Grants and Agreements, Subtitle A, Chapter II – Part 685 – Appendix B to Part 225 – Selected Items of Cost, 8 – Compensation for personal services-

- a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:

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- (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;
- (2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
- (3) Is determined and supported as provided in subsection h.

h. Support of salaries and wages

These standards regarding time distribution are in addition to the standards for payroll documentation.

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity, for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.

Identified Condition

During our review of payroll charged to the Higher Education Institutional Aid Program, we noted the following:

- 1 (STEM) out of 9 employees sampled at Los Angeles Mission College did not have documentation of the actual time and effort the employees expended on the program.
- 3 (STEM) out of 8 employees sampled at Los Angeles Harbor College did not have documentation of the actual time and effort the employees expended on the program; and
- 1 (Title V) out 8 employees sampled at Los Angeles Harbor College charged salary to the program more than the actual time and effort the employee expended on the program.

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Questioned Costs

\$20,609.58 (including \$5,998.13 charged in excess of documentation of actual time and effort of the employee) out of \$66,204.46 sampled

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure proper documentation of employees' actual time and effort to support salaries and related benefits charged to the program. Without proper documentation, these expenditures may be considered unallowable.

Recommendation

We recommend that the District implement stricter controls to ensure compliance with the federal program requirements on allowable/unallowable expenditures. Actual time and effort that employees spend on grant-funded activities should be properly documented to support salaries charged to the program.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Mission College

This will be more regulated by monthly checking of the specific "actual time and effort" documentation.

Los Angeles Harbor College

- i) Los Angeles Harbor College attests that all employees noted provided services rendered during the period of performance under federal awards to the programs.
- ii) Los Angeles Harbor College will initiate procedures that include stricter controls that will ensure that salaries and related benefits charged to the program are based on actual time and effort.
- iii) Los Angeles Harbor College will monitor implemented procedures ensuring that actual time and effort that employees spend on grant-funded activities is properly documented and support salaries and benefits charged to the program. In addition, any documents substantiating time and effort will be accurate and will be retained by the program to justify actions taken.

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Finding F-2015.005 – Equipment Management – Policies and Procedures

Federal Program Information

<i>Federal Catalog Number:</i>	84.031
<i>Federal Program Name:</i>	Higher Education – Institutional Aid (Title V -Hispanic Serving Institutions Program and Improving STEM Success and Access for Hispanic Students at Los Angeles Mission College) Higher Education – Institutional Aid (Title V – Accelerating Success at Harbor College and STEM Passport Academy at Los Angeles Harbor College)
<i>Federal Agency:</i>	U.S. Department of Education
<i>Pass-Through Entity:</i>	N/A
<i>Campus:</i>	Los Angeles Mission College Los Angeles Harbor College
<i>Federal Award Number and Award Year:</i>	P031S090061-13, October 1, 2013 to September 30, 2014 (Title V – Hispanic Serving Institutions Program) P031C110097-13-14, October 1, 2013 to September 30, 2015 (Improving STEM Success and Access for Hispanic Students at Los Angeles Mission College) P031S090008-13-14, October 1, 2013 to September 30, 2014 (Title V – Accelerating Success) P031C110096-13-14, October 1, 2013 to September 30, 2015 (STEM Passport Academy at Los Angeles Harbor College)

Criteria or Requirement

Title 2, Grants and Agreements,– Part 215 – Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations (OMB Circular A-110), Subpart C – Post-Award Requirements – Financial and Program Management, Section 215.34 Equipment

- (f) The recipient’s property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

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- (1) Equipment records shall be maintained accurately and shall include the following information:
 - (i) A description of the equipment;
 - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number;
 - (iii) Source of the equipment, including the award number;
 - (iv) Whether title vests in the recipient or the Federal Government;
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost;
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government);
 - (vii) Location and condition of the equipment and the date the information was reported;
 - (viii) Unit acquisition cost ; and
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
- (4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.
- (5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

Identified Condition

During control procedures performed over equipment management, we noted that controls over equipment management were inadequate at Los Angeles Mission College and Los Angeles Harbor College. The following control deficiencies were noted:

- At Los Angeles Mission College and Los Angeles Harbor College, there was limited evidence that the results of the physical inventory were reconciled with the District's accounting records (SAP);

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- At Los Angeles Mission College, the condition of the equipment was missing from the equipment records as required by the federal regulations
- The equipment listing by Los Angeles Mission College is not updated. Location information for 3 out of 6 units of sampled equipment were inaccurate.

Questioned Costs

Not applicable

Possible Asserted Cause and Effect

Procedures and controls were not properly designed to comply with federal requirements over updating inventory records and safeguarding of capital assets, which include physical inventory counts and reconciling results of physical inventory with District's inventory records. The lack of physical inventories to verify the existence of capital assets and failure to reconcile physically inventoried equipment to the District's accounting records increase the risk that theft or misappropriation of program equipment may occur and not be detected on a timely basis.

Recommendation

We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include physical inventories and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets.

Views of Responsible Officials and Planned Corrective Actions

Los Angeles Mission College

Discussions between Los Angeles Mission College and the District will lead to an appropriate physical inventory reconciliation between Los Angeles Mission College and the District.

Los Angeles Mission College STEM will add the condition of equipment to the inventory list.

Los Angeles Harbor College

- a. Although Los Angeles Harbor College has inventory and equipment management procedures in place to manage Federal Government grant inventory, the college will implement additional control systems that will include the reconciliation of results of physical inventory with LACCD's accounting records.
- b. Los Angeles Harbor College will conduct physical inventory at least once every two years of program equipment and the results of this inventory will be reconciled with equipment records found in SAP.

SCHEDULE OF STATE FINDINGS AND RECOMMENDATIONS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Recommendations

Year ended June 30, 2015

(1) Summary of State Findings and Recommendations

	<u>Section</u>	<u>number</u>
1. Salaries of Classroom Instructors (50 Percent Law) – Instructors with Non-Instructional Assignments	421	S-2015.001
2. Residency Determination of Credit Courses – Commission of Athletic Form 1	425	S-2015.002
3. Concurrent Enrollment of K-12 Students in Community College Credit Courses – Approvals of Students to Attend Courses	427	S-2015.003
4. To Be Arranged Hours – Attendance Documentaion and TBA Course Classification	479	S-2015.004
5. Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) – Advisory Committee	474	S-2015.005
6. Disabled Student Programs and Services (DPSP) – Advisory Committee	475	S-2015.006

S-2015.001 – Salaries of Classroom Instructors (50 Percent Law) (421) –Salaries of Instructors with Non-Instructional Assignments

State Criteria or Requirement

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the district’s Current Expense of Education (CEE) be expended during each fiscal year for “Salaries of Classroom Instructors.”

Salaries of classroom instructors, as prescribed in CCR, title 5, section 59204, means (1) “that portion of salaries paid for purposes of instruction of students by full-time and part-time instructors employed by a district; and (2) all salaries paid to classified district employees who are (a) assigned the basic title of “Instructional Aide” or other appropriate title designated by the governing board that denotes that the employees’ duties include instructional tasks, and (b) employed to assist instructors in the performance of their duties, in the supervision of students, and in the performance of instructional tasks.” An employee shall be deemed to be under the supervision of an instructor for the purpose of Education Code Section 84362 if the employee performs duties under the general direction of an instructor.

The Code defines, in relevant part, “salaries of classroom instructors” to mean:

- (1) The salary paid to each instructor employed by the district whose duties require that the full time for which the instructor is employed be devoted to the instruction of students of the district.
- (2) The portion of the salary of each instructor whose duties require that a part, but not all, of the full time for which the instructor is employed be devoted to the instruction of students of the district, which is equal to the portion of the full time actually devoted by the instructor to teaching students of the district.

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References

- [Education Code](#) Section 84362
- [CCR, title 5](#), section 59204 and 59206
- Chancellor's Office [Legal Opinion O 00-14](#), "Salaries of Classroom Instructors" Contained in Education code Sections 84362, the "Fifty Percent Law", dated June 12, 2000

Identified Condition

To ensure that the District excluded non-instructional salaries and benefits for instructors that have non-instructional assignments or that are on reassigned time for administrative purposes from "Salaries of Classroom Instructors (SCI)," we selected a sample of 40 instructors with non-instructional/reassigned assignments. We then verified that salaries and benefits allocated for non-instructional or administrative assignments for these individuals are appropriately excluded from SCI.

In our sample of 40 instructors with non-instructional/reassigned assignments, we noted that non-instructional salaries for 5 instructors were included in "Salaries of Classroom Instructors." The instructors were Department Chairs whose duties were non-instructional.

Questioned Costs

The non-instructional salaries charged to instructional salaries amounted to \$29,997 for the specific period tested.

Total Audit Impact of Finding

To ascertain the total impact to the 50 Percent Law Calculation, we determined that total non-instructional salaries and benefits for all instructors with the same Job Code that were charged to "Salaries of Classroom Instructors" during the fiscal year 2015 amounted to \$3,045,636.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that salaries and benefits are appropriately allocated for instructional and non-instructional assignments and non-instructional salaries and benefits are excluded from the "Salaries of Classroom Instructors" in the 50 Percent Law Calculation.

District Response

Effective July 1, 2015, two distinct job codes were created for Department Chair assignments; one for the component of the assignment related to department chair duties and one for the component of the assignment related to the teaching. Each job code corresponds to the appropriate GL. See table below.

A0711	Department Chair	123100
A0798	Department Chair, Teaching	113100

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S-2015.002 – Residency Determination for Credit Courses (425) – Commission of Athletics Form 1

State Criteria or Requirement

State apportionment for credit courses may be claimed only for student attendance allowed by statute and regulation. Student residence at the time of registration is a major factor in the determination of allowability for claiming state apportionment courses.

References

- Education Code Section 68000-68044, 68050-68080, 68082, 68100, 68130, 76140, 76140.5, and 76143 (note section 68075.5 is amended in 2012, 76140 has an addition and amendment in 2012)
- CCR, Title 5, sections 5400-54072, 59114, and 59116
- California Community College, Student Attendance Accounting Manual (SAAM)

Identified Condition

To ensure that the District only claims apportionment for the attendance of California residents in credit courses, we selected a sample of 120 students (60 regular students and 60 student-athletes) enrolled in credit courses offered by the District. We then tested supporting residency documentation for the students sampled to determine whether each student has been properly classified as either a “resident” or a “nonresident” by inspecting the application for admission (hardcopy and/or electronic) used by the District. In addition, for student-athletes selected for testing, we compared the student’s admission application and residence questionnaire to the athlete’s Commission of Athletics Form 1 for applicable information and to confirm consistency.

In our sample of 60 student-athletes, the Commission of Athletics Form 1 for 8 out of 20 samples selected for testing at Los Angeles Trade Tech College could not be located. The remaining 12 samples did not participate in a sports competition during FY 14-15. The 40 student athletes sampled at Los Angeles Harbor College (20) and West Los Angeles College (20) have their Commission of Athletics Form 1s on file.

There appeared to be a lack of monitoring by the District to ensure that each campus retains copies of Commission of Athletics Form 1 for student-athletes. Consequently, there was no sufficient evidence to support the assertion that the student-athletes who were claimed for state support were eligible.

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Questioned Costs

Due to the absence of Commission Athletic Form 1's for all sampled student-athletes who participated in sports competition, no extrapolation was performed. We determined the FTES claimed for apportionment for all 55 student-athletes who participated in sports competition and were enrolled in FY 2014-15 at Los Angeles Trade Tech College as follows:

	<u>FTEs</u>	<u>Reimbursement Rate</u>	<u>Amount</u>
Credit	82.58	4,636.49	382,881.34
Noncredit	0.14	2,788.05	390.33
Noncredit CDCP	0.46	3,282.81	1,510.09
Total	<u>83.18</u>	<u>\$</u>	<u>384,781.76</u>

This finding has not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2015.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that the Commission of Athletics Form 1s are retained by the campus in accordance with District policy. Controls should also be implemented to ensure that student-athletes who were claimed for state support are eligible.

District Response

Los Angeles Trade Tech College

To ensure all Form 1's are maintained according to District policies the following measures have been put in place:

1. All Form 1's will be scanned and emailed to Dean of Student Services once form is complete.
2. Copies of the Form 1's will be kept in the Athletics Office with the Athletic Director.
3. Copies of the Form 1's will be kept in the Office of Dean of Student Services.
4. Copies of the Form 1's will be kept in the Office of the Vice President.
5. Copies of the forms will also be given and maintained by the Admissions and Records Office.

S-2015.003 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (427) – Approvals of Students to Attend Courses

State Criteria or Requirement

The governing board of a school district may determine which pupils would benefit from advanced scholastic or vocational work. The intent of this section is to provide educational enrichment opportunities for a limited number of eligible pupils, rather than to reduce current course requirements

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of elementary and secondary schools, and also to help ensure a smoother transition from high school to college for pupils by providing them with greater exposure to the collegiate atmosphere. The governing board may authorize those pupils, upon recommendation of the principal of the pupil's school of attendance, and with parental consent, to attend a community college during any session or term as special part-time or full-time students and to undertake one or more courses of instruction offered at the community college level.

References

California Education Code, Section 48800.

Identified Condition

To ensure that K-12 students who were currently enrolled in community college courses had the proper approvals to attend class and could benefit from advanced scholastic or vocational work, we selected a sample of 60 K-12 students enrolled in courses offered by the District. We then ascertained if these students received required approvals from the K-12 school official prior to enrolling in the community college courses.

During our audit we noted the following:

- 2 out of 18 K-12 students sampled from West Los Angeles College were enrolled in courses that were not included in the courses that were recommended and approved by the school principal to be taken by the student in their K-12 supplemental application for admission forms.

There appeared to be inadequate monitoring by the District to ensure that K-12 students are enrolled only in courses that the school principal recommended and approved to be taken by the student.

Full-Time Equivalent Student (FTES) Impact

0.06 credit FTES exceptions of the 2.08 credit FTES sampled, or 2.88% of the total samples at West Los Angeles College

Questioned Costs

\$278.19 (0.06 credit FTES exceptions x \$4,636.49 credit FTES reimbursement rate)

Extrapolated Finding

5.37 FTES (2.88% x 186.09 total credit FTES of K-12 students from West Los Angeles College).

This finding has not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2015.

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Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that K-12 students who were currently enrolled in community college courses have the proper approval to attend the class in accordance with District policy.

District Response

West Los Angeles College

Of the two K-12 students, one had enrolled in the class (Computer Science) listed on the K-12 Supplemental Application and completed the class along with utilizing the Library services which is listed as Tutor 001. This service allows all students to use the internet to aid their studies, or to meet with a tutor to assist with their courses. The Tutor 001 has zero units.

The other K-12 student listed Anatomy 001 on the K-12 Supplemental Application, however, the student had not met the prerequisite. The student presented an Add Permit for enrollment for KIN 245. When the K-12 Supplemental Application is received and the hold is lifted for the application semester, the system (DEC) does not provide a prompt to restrict enrollment to that subject only.

Peoplesoft does have this feature to enter the subject that the student is permitted to enroll in, and to restrict enrollment for other courses not listed. When this system is operational it will prevent this type of occurrence.

S-2015.004 – To Be Arranged Hours (Section 479) – Attendance Documentation and TBA Course Classification

State Criteria or Requirement

TBA Definition: Some courses with regularly scheduled hours of instruction have “hours to be arranged” (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to California Code of Regulations (CCR), title 5, sections 58003.1 (b) and (c), respectively.

Districts need to track TBA hours per participating student carefully to ensure that apportionment is not claimed for TBA hours of students who have documented zero course hours as of census point.

A clear description of the course, including the number of TBA hours required, must be published in the official schedule of classes or addenda thereto.

Specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course are included in the official course outline. All enrolled students are informed of these instructional activities and expectations for completion. Failure of the District to comply with the course approval requirements, including having a course outline of record, could result in termination of course approval.

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References

- To Be Arranged (TBA) Hours Compliance Advice (Legal Advisory 08-02), October 1, 2008
- Second TBA Hours Follow-up Memorandum, June 10, 2009
- TBA Hours Follow-up Memorandum, January 26, 2009
- Education Code sections 84040 and 88240
- Courses with To Be Arranged (TBA) Hours, Memorandum from the California Community Colleges Chancellor's Office dated March 8, 2013
- CCR, Title 5, Sections 58102 and 58104

Identified Condition

During the audit testing performed to ensure that apportionment claimed for TBA courses is adequately supported, we noted the following:

- 21 TBA courses (5 from Los Angeles City College, 16 from Los Angeles Harbor College) of 46 TBA courses sampled did not have census rosters or similar attendance forms; and
- The attendance rosters provided for 3 TBA courses from Los Angeles City College did not adequately support the number of students claimed by the District.

There appeared to be inadequate procedures to ensure that the designation of a course as TBA is communicated to instructors, and that attendance rosters for TBA courses at these campuses are distributed to the instructors at the beginning of the class and returned to Admissions and Records when completed.

The remaining 22 TBA courses sampled at Los Angeles City College (2), Los Angeles Harbor College (2), Los Angeles Trade Tech College (5), West Los Angeles College (3) and Los Angeles Southwest College (10) have attendance rosters that adequately support the number of students claimed by the District.

We also noted that 1 TBA course from Los Angeles Harbor College were deemed invalid TBA courses. The History 58 Course from Los Angeles Harbor College was an online course that used "TBA" in the schedule to indicate online format. There appeared to be inadequate procedures at Los Angeles Harbor College to ensure that the courses are properly classified. Course classification errors will result in FTES per type, weekly, daily and or positive attendance, being inaccurately calculated and reported for funding.

Full-Time Equivalent Students (FTES) Impact

Los Angeles City College: 7.03 FTES exceptions of the 13.94 credit FTES sampled, or 50.43% of the total sample at the campus.

Los Angeles Harbor College: 39.81 FTES exceptions of the 41.10 credit FTES sampled, or 96.86% of the total sample at the campus.

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Questioned Costs

\$217,173 (46.84 credit FTES exceptions x \$4,636.49 credit FTES reimbursement rate)

There were no non-credit and non-credit CDCP courses sampled.

Extrapolated Finding

Based on the schedule of FY 2015 FTES claimed for the TBA portion of credit courses of those campuses where the samples were obtained, the following are the extrapolated FTES for the above finding:

Los Angeles City College: 79.13 FTES (50.43% x 156.91 total credit FTES claimed for the TBA courses at the campus)

Los Angeles Harbor College: 261.29 FTES (96.86% x 269.76 total credit FTES claimed for the TBA courses at the campus)

These findings have not been adjusted in the Annual Apportionment Report submitted for the year ended June 30, 2015.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that TBA course designations are timely communicated to the instructors and attendance documentation supporting apportionment is distributed and collected for all TBA courses in accordance with the State requirements.

In addition, the District should strengthen controls to ensure that TBA courses are properly classified. The District should review courses classified as requiring TBA hours and determine TBA hours that do not meet the definition of Weekly or Daily Census procedure courses. Such courses should be reported as positive attendance courses. Furthermore, the District should review all courses labeled as TBA and revise the course designation as appropriate.

District Response:

Los Angeles City College

The Admissions Office will conduct a workshop for TBA instructors to go over the TBA process by December 2015. A standard procedure for submission of TBA rosters will be established. Instructors will no longer have the option of customizing their attendance rosters and will be required to submit attendance rosters to the Admissions Office. Establishment of this procedure will help to strengthen our control and achieve full compliance for TBA classes.

Los Angeles Harbor College

The campus will be more detailed in assuring that correct Method of Instruction (MOI) is coded for courses. Faculty will also go through training to assure that contact hours for students are recorded correctly using the online system.

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In addition, we will review course outlines of record to ensure that the course descriptions indicate if they are approved for DE and if so, the hours required. We will ensure that such courses have the proper coding in the Protocol and ESC systems. We will first look at courses in our spring schedule and then all courses with DE addendums.

S-2015.005 – Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Advisory Committee

State Criteria or Requirement

Section 56208, Advisory Committee states that each EOPS program shall have an Advisory Committee appointed by the president of the college upon recommendation of the EOPS Director. The purpose of the advisory committee is to assist the college in developing and maintaining effective extended opportunity programs and services. The term of each committee member shall be for two years, July of the year of appointment to June 30 of the second succeeding year. Members may serve more than one term. The committee shall consist of no fewer members than the members of the local Board of Trustees. Members shall serve without compensation. Members may be reimbursed for necessary expenses incurred in performing their duties. The Advisory Committee should include representation from college personnel, EOPS students, local or feeder high schools, community and business sector, and four-year colleges where possible. The Advisory Committee shall meet at least once during each academic year.

CARE program requirements stated that:

- a) Each CARE program shall have an advisory committee and/or interagency group meetings.
- b) The committee shall include representative from the local county welfare department, Tribal TANF programs community, business sector, CARE student population, and other individuals as determined by the college CARE coordinator.
- c) The advisory committee and/or interagency group meetings shall meet at least twice during each academic year.
- d) To meet this requirement, programs may establish one or the following:
 1. a CARE advisory committee
 2. a joint EOPS/CARE advisory committee
 3. a CARE subcommittee of the EOPS advisory committee
 4. an interagency group

References

- Education Code Sections 69648, 69648.7 and 71020
- CCR, Title 5, Section 56208
- EOPS Implementing Guideline, March 2008 (revised)
- CARE Program Guidelines, revised August 1, 2010

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Identified Condition

For EOPS, we noted 1 (West Los Angeles College) of 3 colleges sampled did not have evidence of the required annual meeting.

For CARE, we noted that 1 (West Los Angeles College) of 3 colleges sampled did not meet the required semi-annual meetings. There were no meetings held during the academic year.

Questioned Costs

Not applicable.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that all colleges comply with the EOPS/CARE advisory meeting requirements.

District Response

West Los Angeles College

For EOPS, the Program Director commits to providing the Vice President of Student Services with the agenda and minutes from held Advisory Board Meetings. It is anticipated that the annual Advisory Board meeting will be held mid-December.

For CARE, the EOPS annual Advisory Board Meeting will be held jointly to satisfy one of CARE required semi-annual meetings. Additionally, CARE will hold the second Advisory Meeting towards the end of the academic year to satisfy the two required meetings. Minutes and agenda will be provided to Vice President of Student Services.

S-2015.006 – Disabled Student Programs and Services (Section 475) – Advisory Committee

State Criteria or Requirement

Section 56050, Advisory Committee, states that each district receiving funds pursuant to this subchapter shall establish, at each college in the district, an advisory committee which shall meet not less than once per year.

The advisory committee shall, at a minimum, include students with disabilities and representatives of the disability community and agencies or organizations serving persons with disabilities.

References

- Education Code Sections 67312, 70901, and 84850
- CCR, Title 5, Section 56050
- DSPS Implementing Guideline

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Year ended June 30, 2015

Identified Condition

We noted that Los Angeles Trade Tech College did not have evidence of the required annual meeting of the Advisory Committee.

Questioned Costs

Not applicable.

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that all colleges comply with the DSPS advisory meeting requirements.

District Response

Los Angeles Trade Tech College

To ensure that the DSPS Advisory meeting is held each year, the DSPS office will schedule the advisory meeting during their summer retreat each year. This academic year's advisory meeting will be held early Spring 2016. The advisory meeting will comply with Section 56050 of State Criteria. An agenda and minutes will be prepared for each meeting. Those documents will be scanned and stored electronically in the DSPS hard drive. The documents will also be emailed to the Dean and Vice President of Student Services. Hard copies will also be maintained in the DSPS Office and with both the Dean and Vice President of Student Services.

SCHEDULE OF PRIOR YEAR FEDERAL AND STATE FINDINGS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Federal and State Findings

Year ended June 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs and of any other as yet unresolved audit finding from previous years:

Finding reference	Finding description	Recommendation	Current Status	Explanation if not fully implemented
F-2014-01	Student Financial Assistance Cluster - Special Tests and Provisions - Verification	We recommend that the District implement stricter controls to ensure that verification of FAFSA selected by the DOE is completed in accordance with the federal guidelines and the District's verification policy.	Implemented.	Not applicable.
F-2014-02	Child and Adult Care Food Program (CACFP) - Eligibility - Enrollment Records	We recommend that the District implement stricter controls to ensure that enrollment documents required for determining eligibility are retained by the child care centers.	Implemented.	Not applicable.
F-2014-03	Temporary Assistance for Needy Families - Procurement - Procurement Records	We recommend that the District implement stricter controls to ensure that the basis or rationale for procurement actions is sufficiently documented	Implemented.	Not applicable.
F-2014-04	Workforce Investment Act (WIA) - Eligibility - Participant Eligibility	We recommend that the District implement stricter controls to ensure that documents for determining eligibility are carefully reviewed and properly retained by the Youth Worksource Center.	Implemented.	Not applicable.
F-2014-05	Workforce Investment Act (WIA) - Earmarking - 95% Requirement for Disadvantaged Low Income Youth	We recommend that the District implement stricter controls to ensure that procedures are in place to comply with earmarking requirements.	Implemented.	Not applicable.

Finding reference	Finding description	Recommendation	Current Status	Explanation if not fully implemented
S-2014-01	To Be Arranged Hours (Section 479) – Attendance Documentation	We recommend that the District strengthen controls to ensure that TBA course designations are timely communicated to the instructors and attendance documentation supporting apportionment is distributed and collected for all TBA courses in accordance with the State requirements.	Not implemented at Los Angeles City College. See Finding S-2015.005.	The corrective measure for last year's audit finding was satisfied with a TBA faculty training session held during the annual faculty FLEX Day. Since not all instructors attended the workshop, TBA workshops will now be mandatory for all instructors teaching TBA classes. The Vice President of Academic Affairs and the Dean of Enrollment have agreed to require that all instructors teaching WSCH with TBA classes must submit their census rosters to the Admissions Office by the end of the semester. Those rosters will be verified by the Senior Admissions and Records Supervisor to ensure that they are completed in accordance with the attendance accounting requirements for WSCH with TBA hours classes.
S-2014-02	To Be Arranged Hours (Section 479) – Course Outline of Record	We recommend that the District strengthen controls to ensure that all TBA courses have an approved course outline that describes specific instructional activity in accordance with the State requirement.	Implemented.	Not applicable.

Finding reference	Finding description	Recommendation	Current Status	Explanation if not fully implemented
S-2014-03	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) (Section 474) – Eligibility	We recommend that the District strengthen controls at these campuses to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of CCR Title 5, Section 56220 and the CARE Program Guidelines.	Implemented.	Not applicable.
S-2014-04	Disabled Student Programs and Services (DSPS) (Section 475) – Student Eligibility	We recommend that the District strengthen controls at these campuses to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of Education Code Sections 67310-12, 70901 and 84850, and the title 5 DSPS Implementing Guidelines.	Implemented	Not applicable.

Finding reference	Finding description	Recommendation	Current Status	Explanation if not fully implemented
FS-14-001	Information Technology	<p>We recommend that management continue to evaluate and define the IT internal controls stating with a baseline of appropriate users that should have administrative and other elevated levels of access within SAP, the underlying database and operating systems. Segregation of duties should be expanded to ensure that each user should be assigned a unique user ID, whenever possible. IT Security Weaver is to be used, tighter controls over authorizing the use of administrative accounts should be in place. In the rare cases where user IDs must be shared, controls should be established to monitor their usage. Additionally, controls should be established to periodically review users and their access rights to validate the access rights assigned to users continue to be commensurate with their current job responsibilities. We recommend that the evaluation of the controls and baseline users and their access rights to be completed as soon as possible.</p>	Implemented.	Not applicable.