



California Community Colleges

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# CONTRACTED DISTRICT AUDIT MANUAL

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California Community Colleges

Chancellor's Office

2018-19

*v.12.07.2018*

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# SECTION 100

## AUDIT ADMINISTRATION

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### 110 OVERVIEW

**.01** All community college districts are required to have an annual audit. Section 84040.5 of the Education Code requires the Board of Governors and the Department of Finance to prescribe the statements and other information to be included in the audit report filed with the state and to develop audit procedures for carrying out these audits.

**.02** The Contracted District Audit Manual (CDAM) requirements apply to annual financial and compliance audits of community college districts in accordance with Education Code section 84040.5. Auditors must indicate compliance with section 84040.5 and include a summary of audit exceptions and management improvement recommendations in their report. The intent of the audits is to promote efficient and effective use of public funds for education in California by strengthening fiscal accountability at the district, county and state levels, and to encourage sound fiscal management practices among community college districts.

### 120 REVISIONS TO THE CONTRACTED DISTRICT AUDIT MANUAL

**.01** The Chancellor’s Office updates the CDAM annually. In addition to minor edits and updates to links and contacts, the 2018-19 CDAM includes the following changes from the 2017-18 CDAM:

#### **Removals**

Section 428 – Student Equity

Section 429 – Student Success & Support Program Funds

The Student Equity and Student Success & Support programs have been replaced by the Student Equity Achievement Program.

Section 440 – Intersession Extension Program

The Education Code that created this program was repealed.

#### **Revisions**

Section 423 – Retitled to “Apportionment for Activities Funded From Other Sources” from “Apportionment for Instructional Service Agreements/Contracts.”

Section 424 – State General Apportionment Funding System



The background and criteria sections now reflect the newly enacted Student Centered Funding Formula (SCFF). In addition, some apprenticeship programs are now eligible to claim full-time equivalent students for apportionment purposes.

Section 425 – Residency

The audit procedures have been updated to reflect recent legislation related to the residency determination for students cross-enrolled through the online course exchange of the Online Education Initiative Consortium.

Section 427 – Dual Enrollment

Recent legislation now allows (1) CCAP agreements with charter schools and (2) closed courses for eligible high school students in person or using an online platform. In addition, the CCAP annual report must include the total number of FTES generated by online CCAP participants.

130 ARRANGEMENT FOR AUDIT

**.01** The governing board of each district is required to provide for an annual audit. Under California Code of Regulations, title 5 (Title 5) section 59102, “Arrangements for annual audits for any fiscal year as required by section 84040 of the Education code shall be made final no later than the May 1 preceding that fiscal year.” Each district must inform the Chancellor’s Office of their audit arrangements and identify the auditor under contract no later than May 15 of each year.

**.02** In the event the governing board of a district has not provided for an audit by May 1, the California Community Colleges Board of Governors (Board of Governors) shall do so. District funds will cover the cost of such an audit.

**.03** All audits shall be performed by a certified public accountant licensed by the California State Board of Accountancy.

**.04** Government Code section 12410.6 requires districts to change auditors every six years. For purposes of calculating the six consecutive fiscal years, audits prior to the 2013-14 fiscal year are not considered. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.

140 REPORT DUE DATE

**.01** Title 5 section 59106 requires that all audit reports for the preceding fiscal year be filed with the Chancellor's Office **no later than December 31** following the end of the audited fiscal year.

**.02** If an audit report will not be filed by the December 31 due date, districts must inform the Chancellor's Office. This notification should include an explanation and expected delivery date for the late audit report. District audit reports not submitted by January 31 of the subsequent fiscal year are reported to the Board of Governors at their March meeting.

**.03** To assess the overall fiscal health of a district, the Chancellor's Office will consider the timeliness of audit report submissions along with the category, quantity, and magnitude of findings.

## 150 DISTRIBUTION OF AUDIT REPORTS

**.01** The CPA firm will submit audit findings and a PDF copy of the report to the Chancellor's Office via the Audit Tracker web portal. The PDF reports provided should allow the copying of text, images, and other content.

Ensure PDF files submitted have the following security settings. This is not a request for an unprotected PDF file.

- Click on Document, select Security, select Secure this Document, select restrict opening and editing using passwords, Click on Apply, and under permissions, select Restrict editing and printing of the document.
- Enter password; select the option to allow printing in high resolution; and select the changes allowed option to none, and place a checkmark on Enable copying of text, images, and other content and then click on OK.

The CPA firm will submit copies of the annual audit report as follows:

### **Chancellor's Office**

Submit Findings and PDF of full report via the Audit Tracker web portal:

<http://misweb.cccco.edu/AuditTracker/>

### **California Department of Education**

<https://www3.cde.ca.gov/exfiles/index.aspx?pid=122>

Each fiscal year requires the entry of a unique project code and password. For fiscal year 2017-18, use the following:

Project Code: AUDIT1

Password: B2C1rusp

**The State Controller’s Office**

Email PDF to: [Trackprop55@sco.ca.gov](mailto:Trackprop55@sco.ca.gov)

**California Department of Social Services**

Email PDF to: [Sadie.Webb@DSS.ca.gov](mailto:Sadie.Webb@DSS.ca.gov)

**Accrediting Commission for Community and Junior Colleges**

Email PDF to: [accjc@accjc.org](mailto:accjc@accjc.org)

**Federal Audit Clearinghouse**

Districts expending \$750,000 or more in federal awards must conduct a single or program-specific audit per Title 2 U.S Code of Federal Regulations section 200.501(a). Submit a PDF through the Federal Audit Clearinghouse Internet Data Entry System:

<https://harvester.census.gov/facweb/Default.aspx>

**U.S. Department of Education**

Institutions participating in federal student financial aid programs must submit data from their audited financial statements and attach a PDF file of their audit report using the eZ-Audit submission system within nine months of their fiscal-year end. Additional information and submission at: <https://ezaudit.ed.gov/EZWebApp/default.do>

160 AMENDMENTS TO AUDIT REPORT

**.01** When additional comments, explanations or corrections are necessary after report submission inserts or supplements should be prepared and distributed by the auditor to all holders of the report.

170 RETENTION OF AUDIT WORKING PAPERS

**.01** The audit working papers are subject to review by the Chancellor’s Office, the California Department of Finance, and the California State Auditor.

**.02** The working papers related to the annual or other required audits should be available for review. The working papers must be available until either:

- The third July 1 succeeding the completion of the audit required by Education Code section 84040, or

- The ending date of any retention period required by any agency other than the State of California, such as the California Board of Accountancy.

## 180 AUDIT ASSISTANCE AND PUBLICATIONS

### **Assistance:**

#### **Audits of Community Colleges**

California Community Colleges Chancellor's Office  
College Finance and Facilities Planning Division  
1102 Q Street, Suite 4400  
Sacramento, CA 95811-6511  
[FiscalStandards@cccco.edu](mailto:FiscalStandards@cccco.edu)

#### **Single Audit and General Questions**

California Department of Finance  
Office of State Audits and Evaluation  
915 L Street, 6th Floor  
Sacramento, CA 95814-3706  
[OSAEHOTLINE@dof.ca.gov](mailto:OSAEHOTLINE@dof.ca.gov)

### **Publications:**

#### **From the Chancellor's Office**

[Student Attendance Accounting Manual and Related Fiscal Advisories](#) 2001  
[Student Fee Handbook](#) October 18, 2012  
[California Community Colleges Budget and Accounting Manual](#) 2012  
[Legal Opinions](#)  
[Legal Advisories](#)

#### **Other Legal References**

[California Education Code](#)  
[California Code of Regulations](#), title 5 (see Section 230 for Audit Standards)

SECTION 200  
AUDITING REQUIREMENTS

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## 210 OVERVIEW

**.01** The auditing requirements addressed within the CDAM are directed toward those matters that may have a significant financial impact on community college operations or are perceived to have increased the risk of noncompliance with existing statutes and regulations. The audit shall concentrate on the review and evaluation of the community college district's system of internal accounting control. This includes systems established to ensure compliance with laws and regulations affecting the receipt and expenditure of State, federal, and local funds, and on those major or significant compliance objectives and audit procedures for state and federal programs identified in the CDAM.

**.02** In accepting and conducting the audit, the auditor considers Interpretation 501-3, "Failure to Follow Standards and/or Procedures or Other Requirements in Governmental Audits," of the American Institute of Certified Public Accountants' Code of Professional Conduct, January 1988:

Engagements for audits of government grants, government units or other recipients of government monies typically require that such audits comply with government audit standards, guides, procedures, statutes, rules, and regulations, in addition to generally accepted auditing standards. If a member accepts such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules and regulations, in addition to generally accepted auditing standards, he is obligated to follow such requirements. Failure to do so is an act discreditable to the profession in violation of Rule 501 [ET section 501.01], unless the member discloses in his report the reason for deviating from the requirements.

**.03** The auditing requirements as outlined herein are **minimum requirements** to meet the State's legal requirements pertaining to financial and compliance audits of the community college districts. While there may be reasons to justify deviation from these auditing requirements, reasons for the deviation **will not** necessarily waive those auditing requirements. Any deviation must completely satisfy the State's legal requirements. If not, the CPA firm will apply additional procedures and provide a supplemental report to all report recipients.

**.04** The following items represent the significant audit requirements to which the auditor must be alert in conducting the audit.

## 220 AUDIT SCOPE

**.01** Each audit examination shall include all funds and account groups of the district, including the student financial aid funds, student body funds, cafeteria funds, and any other

funds under the control or jurisdiction of the district to obtain reasonable assurance about whether the financial statements are free of material misstatement.

**.02** The community college district may, at its option, contract for the audit and include additional items over and above the reporting requirements prescribed in the CDAM. At a minimum, the audit shall include those items specified in the CDAM.

**.03** Each audit will also include an examination for compliance with laws, rules, and regulations as described later in this section.

**.04** The period under audit for each annual audit required by Education Code section 84040 is the same time period as the fiscal year of the state. This is the period under audit for each section and test within this manual. For example, the 2018-19 CDAM addresses the 2018-19 fiscal year, which is July 1, 2018 to June 30, 2019.

## 230 AUDIT STANDARDS

**.01** The financial and compliance audit shall be conducted in accordance with the most current standards and guidance:

- [Government Auditing Standards](#), U.S. Government Accountability Office’s Generally Accepted Government Auditing Standards (GAGAS), commonly known as the “Yellow Book”
- [Electronic Code of Federal Regulations](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- AICPA [Generally Accepted Audit Standards](#) and [Audit and Accounting Guides](#)
- [Governmental Accounting Standards Board Pronouncements and Implementation Guides](#)
- [Catalog of Federal Domestic Assistance](#), U.S. General Services Administration
- [Governmental Accounting, Auditing, and Financial Reporting](#), Government Finance Officers Association
- [CDAM issued by the Chancellor’s Office](#)

SECTION 300  
REPORTING REQUIREMENTS

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## 310 OVERVIEW

**.01** In an effort to make the results of the audit more understandable to users of the community college district audit report, the reporting requirements include several separate auditor reports. These include financial statements, compliance and internal control over financial reporting in accordance with Government Auditing Standards, federal compliance, state compliance, management letters, findings, and status of prior years' findings.

**.02** Community college districts that prepare a Comprehensive Annual Financial Report (CAFR) in accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 34 may submit their CAFR, including the separate auditor report on state compliance audit requirements and supplemental information to fulfill the audit reporting requirements of the CDAM.

**.03** In accordance with statements issued by GASB, the districts have elected to report using the Business-Type Activities model. This reporting model does not require fund financial statements to be included with the district's annual financial report. However, some districts disclose this detail in supplemental information.

**.04** Education Code 76060.5 allows for the collection of a Student Representation Fee (SRF), under certain conditions. If an SRF fee is collected, the Chancellor's Office Budget and Accounting Manual requires deposit of these fees into a separate fiduciary fund. Report these fees only under fund 72. Report fund 72 balances on the form C9CFS-311.

**.05** All relevant AICPA and GASB statements and guidance should be adhered to. For additional guidance on the audit report sections and subsections, refer to the respective editions applicable to the year under audit:

- [“Codification of Statement on Auditing Standards” published by the American Institute of Certified Public Accountants](#)
- [“Codification of Governmental Accounting and Reporting Standards” published by the Governmental Accounting Standards Board](#)
- [“Government Auditing Standards” published by the Comptroller General of the United States](#)
- [“Governmental Accounting, Auditing and Financial Reporting” published by the Governmental Finance Officers Association](#)

## 320 REPORT COMPONENTS

**.01** Auditors should consult the guidance from [AICPA](#) and [OMB](#) regarding the latest appropriate report language and illustrative report examples. For report samples, please see:

<http://www.aicpa.org/interestareas/governmentauditquality/resources/illustrativeauditorsreports/pages/default.aspx>

At a minimum, the audit report's title page should include the district's name, college name(s), city, county and state, report title, and audit period. Arrange the report as follows:

- 1) Letter of Transmittal (Optional)
- 2) Table of Contents
- 3) District Superintendent's Message (optional)
- 4) Introduction
- 5) Independent Auditor's Report
- 6) Management's Discussion and Analysis (MD&A)
- 7) Basic Financial Statements
- 8) Notes to Financial Statements
- 9) Required Supplementary Information
- 10) Auditor's Report on Information Accompanying the Basic Financial Statements (Supplemental Information) – May be added to the auditor report on the basic financial statements or may appear separately in the auditor-submitted document.
- 11) Supplementary Information
- 12) Notes to Supplementary Information
- 13) Independent Auditor's 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
- 14) Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance
- 15) Independent Auditor's Report on State Compliance
- 16) Summary of Auditor's Results
- 17) Schedule of Findings and Questioned Costs
- 18) Management Letters
- 19) Status of Prior-Year Findings and Recommendations

**.02** Schedules: The needs and requirements of the California Community Colleges will dictate the level of accounting shown in the schedules. Schedules are used to demonstrate finance-related legal and contractual compliance (e.g., where bond indentures require specific data to be presented) and to present other information deemed useful (e.g., data related to annual FTES calculations, such as the Schedule of workload measures for State General Apportionment). Determination of the appropriate level of detail as to presentation in a schedule is a matter of professional judgment.

**.03** Financial Statement Notes on Net Pension Liability: State Teachers' Retirement System (STRS) Retirement Incentive Program:

Per Education Code 84040.5(c), community college districts that have participated in the STRS Retirement Incentive Program must include information regarding the program in their annual audits. Disclose this information in the notes to the financial statements and include the following:

- The number and type of positions vacated.
- The age and service credit of the retirees receiving the additional credit.
- A comparison of the salary and benefits of each retiree receiving the additional service credit with the salary and benefits of the replacement employee, if any.
- The resulting retirement costs, including interest (if any), and the postretirement healthcare benefits costs, incurred by the district.

See [APPENDIX A Sample Financial Statement Note for Early Retirement Incentive Program](#)

### 330 AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

**.01** The auditor report on the examination of the supplemental information shall be included in this section of the report. Findings and recommendations are to be included in the Findings and Recommendations section of this report. It is acceptable to present this information in the report on the basic financial statements or it may appear separately in the auditor-submitted document.

### 340 REQUIRED SUPPLEMENTAL INFORMATION

**.01** Current required reporting of supplemental information consists of:

- 1) Schedule of Other Post-Employment Benefits (OPEB) Funding Progress
- 2) Schedule of District's Proportional Share of the Net Pension Liability
- 3) Schedule of District Contributions
- 4) Schedule of District Organization, Board and Administration Members  
See [APPENDIX C](#)
- 5) Schedule of Expenditures of Federal Awards  
See
- 6) Schedule of Expenditures of State Financial Awards  
See [APPENDIX E](#)
- 7) Schedule of workload measures for **State General Apportionment**  
See [APPENDIX F](#)
- 8) Reconciliation of Annual Financial and Budget Report to audited financial statements  
See [APPENDIX G](#)
- 9) Reconciliation of the 50 Percent Law calculation to audited financial statements  
See [APPENDIX H](#)

- 10) Reconciliation of Education Protection Account expenditures to audited financial statements  
See [APPENDIX I](#)
- 11) Reconciliation of governmental funds to the statement of net position.  
See the options listed on pages 6-12 and 6-13 of the Budget and Accounting Manual ([BAM](#)) for your options in presenting this data.
- 12) Notes to the supplemental information  
See [APPENDIX J](#)

**.02** The Schedule of Expenditures of Federal Awards is to include the name of the subrecipient(s) receiving federal financial awards for federal record keeping purposes. Sub recipients may include individual colleges of a district depending on program factors. For guidance on determining whether an entity is a subrecipient, see the [Code of Federal Regulations Title 29 section 99.210](#).

See [APPENDIX D Sample Schedule of Expenditures of Federal Awards](#)

### 350 AUDITOR'S REPORT ON STATE COMPLIANCE

**.01** A separate auditor report shall be prepared for the examination of state compliance requirements. The report shall contain an expression of positive assurance with respect to compliance with applicable laws and regulations for those items tested in accordance with the CDAM, and negative assurance for untested items. **Instances of noncompliance with applicable state compliance requirements must be reported in terms of the items or monetary amounts questioned, if any, regardless of the significance, individually or collectively.** The report shall contain specific recommendations for corrective action and, if available, the community college district's response to the audit report shall be included in the audit report. **Additionally, include the number of FTES claimed for any cited instructional activity or conditions that affect the FTES claimed by the district for state general apportionment.**

**.02** Findings related to compliance requirements may affect the auditor opinion report on the financial condition of the community college district. Evaluate findings as to their effects, if any, upon the district's financial statements and supplemental information.

### 360 FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS

**.01** The findings, questioned costs, and recommendations will include matters dealing with internal control, compliance, and supplemental information. Explain each finding in sufficient detail to enable the reader to understand the criteria, condition, effect, questioned costs, recommendations, and response. Where applicable, clarify the effect of any internal

control weakness or condition of noncompliance on reports or schedules. Findings should also identify repeat findings from the previous year's audit report. Present recommendations in a manner that will illustrate how corrective action will eliminate the weakness or provide compliance.

**.02** For State compliance findings, name the finding the same as the number and name of the CDAM procedure.

**.03** This section should also include a "Summary of Auditors' Results. All reportable findings, recommendations, and responses shall be included in the audit report.

See [APPENDIX K Sample Schedule of Findings and Questioned Costs](#)

### 370 STATUS OF PRIOR-YEAR FINDINGS AND RECOMMENDATIONS

**.01** This section shall include the status of district actions on findings and recommendations reported in the prior-year audit. Any reference to prior-year findings and recommendations shall include the identification references used by the Chancellor's Office during its follow-up activities.

See [APPENDIX L Sample Summary Schedule of Prior Audit Findings](#)

### 380 MANAGEMENT LETTERS

**.01** A copy of each management letter issued during the audit shall accompany the audit report submitted to the Chancellor's Office.

SECTION 400  
STATE COMPLIANCE REQUIREMENTS

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**.01** Community colleges are required to report on compliance aspects of significant state and federal programs. At a minimum, the auditor should perform all state compliance tests outlined in the remainder of this section and report any instances of noncompliance.

**.04 All state compliance tests that may affect the calculation of FTES or Students Served for funding from the state must be performed using current sample size guidance provided by professional auditing standards for tests of compliance. If findings from these tests do not provide information as directed below, the Chancellor's Office will consider the audit report incomplete and rejected until amended.**

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation.

The Chancellor's Office will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus. Per Title 5 section 58012, calculations must be to four decimal places and displayed rounded to two.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each College, Campus, or Center.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office is not able to identify the correction in the attendance report, the Chancellor's Office will adjust FTES to make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office whether they increase or decrease the audit sample results.

**.05** The auditor should use professional judgment and due diligence in designing the types of compliance tests to perform. Tailor the audit procedures to individual programs and

circumstances. The auditor should also determine the current requirements governing the program by reviewing California Education Code, California Code of Regulations, Title 5 provisions of contracts and grant agreements, and specific program guidance. All relevant criteria may be tested.

**.06** It is ideal to complete apportionment related audit tests early in the audit cycle. Audit adjustments included on the Recal CCFS-320, allow districts to receive the highest possible funding level. State within the finding whether the Recal Apportionment Attendance Report (CCFS-320) includes an audit related adjustment. Confirm this information within the management response/corrective action plan.

The Recal CCFS-320 detail information should also specifically identify the audit adjustment(s). If State apportionment-related audit tests are not completed in time to make corrections on the Recal CCFS-320, Chancellor’s Office staff will consider the audit results when preparing the final recalculation of state apportionments.

**.07** For State compliance findings, title the finding in the audit report the same as the test number and name. For example, if a finding is noted related to salaries of classroom instructors, the finding title is “421- SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW)”.



## 421 SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW)

### **.01 Background**

Districts must expend a minimum of 50 percent of the Current Expense of Education (CEE) during each fiscal year for “Salaries of Classroom Instructors” per Education Code section 84362, commonly known as the 50 Percent Law. Salaries of classroom instructors, per Title 5 section 59204, is:

- (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 is 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.

In addition, salaries of classroom instructors shall include the proportionate share of all benefits provided to these instructors and instructional aides (object of expenditure code 3000, as defined in the [California Community College Budget and Accounting Manual, 2012 edition](#)).

CEE includes objects of expenditures 1000 through 5000 and Equipment – Replacement for activities 0100 through 6700 in the General Fund, Unrestricted sub fund as defined in the Chancellor’s Office Budget and Accounting Manual, 2012 edition, less expenditures for activity 64XX, Other Student Services – Other (student transportation) and amounts expended for lease of plant and equipment. In-kind match will not be included in the district’s accounting system and is, therefore, not part of this calculation.

### **.02 Criteria**

- [Education Code](#) section 84362 and 88242
- [California Code of Regulations, title 5](#), section 59204 and 59206
- [Government Code](#), section 8880.5(b) and (k), specifies community college districts, as a condition for receiving lottery funds shall establish a separate account for the receipt and expenditure of those funds.
- 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
- Chancellor’s Office [Legal Opinion O 04-10](#), District Ability to Count Amounts Paid to Outside Agencies as “Salaries of Classroom Instructors” under 50% Law

- [Chancellor's Office Budget and Accounting Manual, 2012 edition](#)
- [Form CCFS-311, Supplemental Data, Analysis of Compliance with 50 Percent Law Report and Instructions](#) (Completed report should be obtained from district)
- [Minimum Qualifications for Faculty and Administrators in California Community Colleges, 2017 Handbook](#)
- 

### **.03 Compliance Requirement**

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the district's current expense of education in accordance with Education Code section 84362. **A significant deficiency exists if the district does not meet the 50 percent minimum.**

### **.04 Suggested Audit Procedures**

- 1) Test a sample of the personnel duty statements from the personnel records of classified employees (instructional aides) whose salaries and benefits are included in instructor salaries and determine whether such employees have the basic title of "Instructional Aide" or other appropriate title with the specification to assist instructors in instructional tasks as part of their duties. **(Verify proper job classification assigned.)** Determine whether the basis for allocated salaries and benefits is reasonable.
- 2) Test documentation for a sample of administrative staff salaries and benefits allocated to "Salaries of Classroom Instructors" and determine whether the portion of time devoted to instruction of students in the classroom is reasonable. Determine whether the basis for the allocation is reasonable.
- 3) Test a sample of instructors that have non-instructional assignments or that are on reassigned time for administrative purposes and verify that the appropriate allocation of salaries and benefits for these individuals is not included in SCI. See Chancellor's Office Legal Opinion O 00-14, "Salaries of Classroom Instructors" contained in Education Code section 84362, and the "Fifty Percent Law", dated June 12, 2000.
- 4) Select and test a sample of previously untested instructors included in SCI to determine that all such instructors are in positions requiring minimum qualifications and that the salaries reported as SCI for those instructors correspond to actual instructional duties. If allocated amounts include excluded amounts without the use of a job cost system, determine that the allocation basis is appropriate.
- 5) Test a sample of expenditures for object 6400, Capital Outlay, Equipment. Examine supporting documentation to determine whether the sample expenditures are in the proper subsidiary account, i.e. additional equipment or replacement equipment. Expenditures for Equipment–Replacement should be included in CEE, but exclude those for Equipment–Additional. Replacement equipment is a substitute, or exchange, of an asset for another asset of like kind. It does not extend the asset's life but rather maintains the service level anticipated from the original asset. Additional equipment extends the useful life of an asset, improves the asset's performance, or

increases the value of the asset; it is not equipment previously owned (not a substitute for previously owned equipment.)

- 6) Test a sample of state and federal categorical program expenditures from the following programs to determine that they have been excluded from the CEE:
  - a. Disabled Student Programs & Services (DSPS)
  - b. Extended Opportunity Programs & Services (EOPS)
  - c. College Work Study, Vocational Education Technology Act (VTEA)
  - d. Workforce Investment Act (WIA), etc.
- 7) Exclude district lottery funds from the 50 percent law calculation. In order to verify the proper treatment of lottery funds in the 50 percent law calculation, the district should have established a separate account/sub fund to account for the receipt and expenditure of lottery funds in accordance with Government Code, section 8880.5(k). Lack of a separate lottery funds account/sub fund will again result in a recordkeeping finding.
- 8) Determine whether local matching funds for the above categorical programs/projects have been included in the General Fund's unrestricted sub fund and are thus included in CEE. Items properly excluded from the General Fund Unrestricted sub fund include but are not limited to capital outlay items properly accounted for in the Capital Outlay Projects Fund, financial aid payments made in the Financial Aid Fund, and child development activities properly accounted for in the Child Development Fund.
- 9) Select line items from the CCFS-311 titled "Analysis of compliance with the 50 Percent Law (ECS 84362)" as prepared by the district and trace to financial supporting documentation. Test the numerator and denominator and recalculate percentage. Verify that excluded items were included in the expenditures listed on page one of the report.
- 10) Report any audit adjustments on the "Reconciliation of ECS 84362 (50 percent Law) Calculation" form in the supplementary materials in the Appendix. Complete this reconciliation form with the annual reported data from the CCFS-311 even if there are no adjustments.

## 423 APPORTIONMENT FOR ACTIVITIES FUNDED FROM OTHER SOURCES

### **.01 Background**

Education Code section 84752 states that no community college district shall receive FTES funding for activities that are fully funded through another source. A number of community colleges have instructional arrangements, commonly referred to as "instructional service agreements" (ISA), with public and private entities that provide a portion or total funding for certain course offerings.

ISAs are different from contract education. In contract education, the college sends its instructors to provide courses or training to meet the specific needs of the contracting entity. The contracted course or training need not be open to all admitted students, the contractor pays the full cost of instruction and the district does not receive apportionment.

Although ISAs are offered pursuant to an agreement with a third party, they are significantly different from the type of contract education described above because they must be open for the enrollment of all admitted students who meet established enrollment prerequisites. Because instruction offered under an ISA is eligible for apportionment, numerous standards for the conduct of ISA courses apply. Employees of the contracting party are often the teacher because they may have special expertise. The employees of the contractor are considered district employees for purposes of satisfying the employment standards for apportionment when meeting certain conditions, including as prescribed by California Code of Regulations, title 5 section 58058.

ISAs are often mutually beneficial because of the shared instructional costs. Individuals with special expertise instruct the courses, and colleges frequently claim state apportionment. Questions arise as to whether districts have been fulfilling the requirements in order to claim apportionment for student attendance in courses offered under ISAs.

## **.02 Criteria**

- 1) [Education Code](#), section 84752
- 2) [California Code of Regulations, title 5](#), sections 58012, 58050, 58051(a) (1), (c)-(g), 58051.5, 58055, 58056, 58058(b), 58060, 58102-58106, 59114, and 59116.
- 3) [Student Attendance Accounting Manual and related advisories](#) (including the “Addendum Concerning Academic Calendars, Course Scheduling, and Related Topics”)
- 4) [Accounting Advisory FS 05-02](#), Revision of annual CCFS 311 Fifty Percent Law page to accommodate instructional salary expenditures for Instructional Service Agreements.
- 5) [Instructional Services Agreement Guidelines for Community College Districts and Public Agencies 2015](#)

## **.03 Compliance Requirement**

This compliance requirement applies to ISAs in which a district has an agreement with a contractor to instruct classes and:

- 1) The contractor's employees are used to instruct classes, and
- 2) The district is compensating the contractor or the instructor, and

- 3) The district is reporting the FTES from these classes for purposes of claiming state apportionment funding.

Community colleges may claim FTES for classes conducted on campus or at a contractor's site and instructed by the contractor's employees. In order for these FTES to be eligible for state funding, the following regulatory requirements apply:

- 1) Programs must be approved by the Chancellor's Office and courses must be part of those approved programs or the college must have received delegated authority to separately approve those courses.
- 2) Courses must be open to all admitted students who meet any approved prerequisites for the courses.
- 3) Instruction is under the immediate supervision and control of an employee of the district.
- 4) The district employee must possess valid credentials or meet the minimum qualifications required for the assignment.
- 5) Where the instructor is not a paid employee of the district, the college or district has a written agreement or contract with each instructor conducting instruction. Such written agreement or contract shall state that the college or district has the primary right to control and direct the instructional activities of the instructor (Title 5 section 58058).
- 6) The district and public or private agency, individual, or group of individuals with whom the district has an instructional services agreement may not receive full compensation for the direct education costs for the conduct of the class from any other source.
- 7) For all courses conducted under an instructional services agreement, including those pursuant to Title 5 section 58058, determine whether the district received certification verifying that other sources are not fully funding the instructional activity conducted in accordance with Title 5 section 58051.5.

#### **.04 Suggested Audit Procedures**

- 1) Determine whether the college or district offers instruction under any ISAs. The instructional services agreements may be referred to by different names, including "memoranda of understanding", "instructional contracts", or "instructional agreements", etc.
  - Another indicator that a district has ISAs is if the district reported Object Code 5000 -Other Operating Expenses (line EDP 449, Column 1) on their CCFS-311, Analysis of Compliance with 50 Percent Law report. Report only ISA direct instructional costs in that line item.
- 2) Determine if the district reports FTES for these classes.

- 3) Select a representative sample from the above ISAs to include those generating the largest number of FTES and verify that:
- a. For agreements using employees of the contracting entity, the college or district has a written agreement or contract with each instructor conducting instruction for which it is claiming FTES. The contracts must state that the college or district has the primary right to control and direct the instructional activities of the instructor. The contract between the college or district and the instructor must be finalized and in effect prior to the commencement of instruction.
  - b. The written agreement with the contractor states the responsibilities of each party and that the college or district is responsible for the educational programs conducted under the agreement.
  - c. The courses are part of an approved program or a stand-alone course approved by the college through its delegated authority.
  - d. The courses are open to all admitted students who meet approved prerequisites for the course as published in the official general college catalog and/or the schedules of classes and/or addenda.
  - e. The minimum qualifications for instructors teaching these courses are consistent with instructor qualifications for other similar courses given at the college or district.
  - f. The instructors meet the minimum qualifications for the courses that they teach. Satisfaction of minimum qualifications is present when a person has a valid, unrevoked credential or meets minimum qualifications adopted by the Board of Governors for the particular discipline. (Title 5 section 58060, and 53400 et. seq.)
  - g. The college or district exercises control and supervision over the educational program(s). This may be demonstrated by a variety of activities, including instructor orientation and training, ongoing communications with instructors (i.e. memos, faculty manuals, and on-site supervision), and course and instructor evaluations. **(Activities should be consistent with those the college or district performs for instructional activities taught by a paid part-time instructor on campus).**
  - h. The college and/or district certifies it did not receive full compensation for the direct education costs of the class from any public or private agency, individual, or group of individuals.
  - i. The public or private agency, individual, or group of individuals with whom the district has a contract and/or instructional agreement did not receive full compensation from another source for the direct education costs for the conduct of the class.
  - j. When claiming classes for apportionment purposes not fully funded under contracts described in item i, the district must require the contracting entity to

certify that the direct education costs of the activity are not now and are not going to be funded through other sources.

- 4) A **significant deficiency** may also exist if the college or district lacks the appropriate documentation to support the following:
- a. Appropriate ISAs exist per the Instructional Services Agreement Guidelines for Community College Districts and Public Agencies 2015
  - b. The educational program is under the control and direction of the college or district
  - c. Written contracts or agreements with each instructor conducting instruction for which FTES are to be reported and must state that the college or district has the primary right to control and direct the instructional activities of the instructor
  - d. The classes are open to all admitted students who meet approved prerequisites,
  - e. The instructors meet minimum qualifications
  - f. Either the course is part of a program approved by the Chancellor's Office, or the college has received delegated authority to separately approve those courses
  - g. The district has failed to obtain the required certifications described in item 3j above.

Additionally, include the number of FTES claimed for the instructional activity included in any conditions cited.

**If findings from this test do not provide information as directed below, the Chancellor's Office will consider the audit report incomplete and rejected until amended.**

424 STATE GENERAL APPORTIONMENT FUNDING SYSTEM

## **.01 Background**

### **Student Centered Funding Formula**

The 2018-19 budget began a transition to the Student Centered Funding Formula (SCFF). The new formula calculates general apportionments—discretionary funds available to community college districts to use pursuant to local priorities—using three calculations: (1) A base allocation, which largely reflects full-time equivalent enrollment at the district. (2) A supplemental allocation, which allocates funds based on the numbers of students who received a College Promise Grant, students who received a Pell grant, and AB 540 students; and (3) A student success allocation, which allocates funds on the basis of outcomes related to student success. Under this new model, noncredit enrollment and some other types of enrollment would be funded at current rates.

The Student Success Allocation metrics are based on the degree to which all students earn degrees and certificates; complete key progress milestones, including transfer-level mathematics and English within their first year and/or nine or more CTE units; and achieve key outcomes, including successfully transferring to a four-year institution or attaining the regional living wage within one year of leaving community college. Each of these success metrics is enhanced by providing districts with additional funding if College Promise Grant, Pell Grant, and AB 540 students achieve these outcomes.

The SCFF will be phased in over three years. The state designed the formula so that, in 2018-19, about 70 percent of apportionment funding will be spent on the Base Allocation; 20 percent for the Supplemental Allocation; and 10 percent for the Student Success Allocation. In 2019-20 those percentages are based on estimates of a 65-20-15 split. In 2020-21, the shift is completely phased in, with rates based on estimates of a 60-20-20 split. No district will see a loss in funding in 2018-19. Districts that financially benefit under the new formula will receive those higher amounts, while districts that do not will nonetheless see their 2017-18 allocation increase by a cost-of-living adjustment.

The state general apportionment audit test for 2018-19 focuses on the base allocation workload measure of FTES reported on the CCFS-320.

Title 5 sections 58020-24, requires Community College districts to maintain detailed documentation to substantiate the data reported on the CCFS-320. Each district governing board must adopt procedures to document all course enrollment, attendance, and disenrollment pursuant to Title 5 sections 58020-58024.

Pursuant to title 5, section 58030, these procedures shall include rules for retention of support documentation that would enable independent determination of the accuracy of data submitted by the district as a basis for state support. Consider internal controls when developing procedures. Suggested information to supplement the documentation of each course may include, but is not necessarily limited to the items below:

- 1) The signature of the instructor on all primary attendance accounting documents as a certification of a true and accurate accounting. This includes online or electronically submitted documents where instructors affirm or certify a written statement on the electronic class roster. Certification statements say all inactive students, as defined by California Code of Regulations, title 5 section 58004 and local board adopted procedures, have been dropped on the class roster as of the census date or that positive attendance hours are based upon an accurate count of students present at each course meeting, and



- 2) Any pertinent information concerning courses that have atypical characteristics or requirements (e.g., lab hours, hours to be arranged [TBA], intercollegiate athletics, field trips).

The evaluation of required documentation concerns not only the test of the validity of the information documented, but also of the system used to generate that information. For districts that have converted to online or electronic submission of census or positive attendance class rosters, it is important to confirm that sound security and accountability measures have been integrated into those processes (e.g., password based, internal controls, regular quality reviews of output data, and secure retention of records, either physical or electronic, that document each transaction). The burden is on the district to develop a system and related procedures that are consistent with applicable California Code of Regulations, title 5 requirements, including those provided by sections 58000, 58004, and 58030.

## **.02 Criteria**

- 1) [Education Code](#) sections 8152 and 84750.4
- 2) [California Code of Regulations, title 5](#), section 58003.1, 58003.4, 58004, 58012, 58020, 58022, 58024, 58030, 58051(c)-(g), 58770, 58771, 58773, 58774, 58776, 58777, 58779, 58785, 84750.5, 84760.5, 59114, and 59116
- 3) [Student Attendance Accounting Manual and related advisories](#) (including the “Addendum Concerning Academic Calendars, Course Scheduling, and Related Topics”)
- 4) [Distance Education Guidelines](#) (includes the 2008 Omnibus Version), which provide updated guidance on attendance accounting for distance education courses and the “Alternative Attendance Accounting Procedure,” formerly referred to as “Independent Study/Work Experience Attendance Accounting Procedure.”
- 5) Governing board-approved procedures adopted pursuant to California Code of Regulations, title 5 sections 58004(c) and 58030 for documenting course enrollment,

attendance, and disenrollment. Obtain these procedures from the district being audited.

- 6) [Term Length Multipliers for fiscal year under audit](#)
- 7) [CCFS-320 – CATALOG HOURS vs. SCHEDULE HOURS](#)
- 8) [CCC Contact Hours Chart for the calculation of contact hours in five-minute increments](#)
- 9) [Labor Code](#), section 3074
- 10) [Attributes of a Distance Education Credit Course on Weekly, Daily, or Positive Attendance Procedures](#)
- 11) [Chancellor’s Office list of active and inactive course approvals](#)  
<https://coci2.ccctechcenter.org/courses>

### **.03 Compliance Requirements**

Auditors must test FTES calculations for the Annual CCFS-320 every year.

See the five types of FTES calculations available in a-e under number 3 below. Identify each type of FTES calculation in use at the district or campus under audit. Test courses reported using each accounting procedure used at the district under audit using a statistically significant sample. Use a stratified sample as needed for each type of course to assist with extrapolation of findings that include questioned FTES. Take a statistical sample from each stratified population so that you can confidently extrapolate your results from the samples to the populations of each type of FTES in use at the district or campus. The Chancellor’s Office will use the total FTES number provided in the audit report to calculate a dollar amount related to this test.

Auditors must extrapolate FTES results to the entire population of each attendance procedure tested.

Testing will trace records to detail (source) documents, not summary documents.

Districts are required to correct significant attendance errors found by any means. Errors that result in a change of a district’s total annual resident FTES of 1.00 FTES or more are considered significant.

### **.04 Suggested Audit Procedures**

- 1) Verify that the district maintains and follows required governing board adopted procedures and that those procedures are in accordance with applicable California

Code of Regulations, title 5 and Student Attendance Accounting Manual (SAAM) requirements:

- a. Pursuant to California Code of Regulations, title 5 section 58030, each district governing board is required to adopt procedures for course enrollment, attendance, and disenrollment documentation, including rules for retention of support documentation, which would enable independent determination regarding accuracy of data submitted by the district as a basis for state support. Adopted procedures shall be so structured as to provide for adequate internal controls.
  - b. Pursuant to California Code of Regulations, title 5 section 58004(c), each district is required to adopt procedures for the clearing of inactive enrollment in census-based courses. Refer to California Code of Regulations, title 5 section 58004 and SAAM for rules on clearing class rolls of inactive enrollment.
- 2) Verify that required tabulations are maintained for each course section and that attendance records are retained by the district for the required retention period:
- a. Pursuant to California Code of Regulations, title 5 section 58020 et seq., a separate tabulation is required for each course section. Requirements vary for the various course categories (e.g., Weekly Census courses, Daily Census courses, Actual Hours of Attendance courses). Refer to California Code of Regulations, title 5 section 58020 et seq. and the SAAM for specific requirements for each course category.
  - b. Pursuant to California Code of Regulations, title 5 section 59025, records relating to attendance and FTES are Class 3-Disposable Records and records basic to audit. The district must retain these records for the minimum applicable 3-year record retention period required by California Code of Regulations, title 5 section 59026(b) and the SAAM.
- 3) Verify that the district uses the appropriate attendance accounting procedure for courses reported for apportionment in accordance with California Code of Regulations, title 5 section 58003.1 et seq. and accurately reports the contact hours for classes in each procedure:

- a. Courses reported under the **Weekly Student Contact Hour Procedure** (Weekly Census) must possess the following attributes:
  - i. Credit course offered during a primary term (a semester for semester-system colleges or a quarter for quarter-system colleges)
  - ii. The course is coterminous with the primary term.
    - 1. Course must begin when the term begins and end when the term ends, and must be scheduled to meet regularly during each instructional week of the term, exclusive of final examination scheduling.
    - 2. There must be at least three days of instruction and/or examination during each week of the primary term.
  - iii. FTES computation must apply the State-established Term Length Multiplier for the particular college as listed in the Criteria section above.

The course meets regularly with respect to the number of days of the week and the number of hours the course meets each week (including TBA hours).

The weekly student contact hours reported for each class reported under the Weekly Student Contact Hour Procedure should be the product of the number of students actively enrolled at census times the total scheduled weekly contact hours of the class, including TBA hours).

- b. Courses reported under the **Daily Student Contact Hour Procedure** (Daily Census) must possess the following attributes:
  - i. Credit course scheduled to meet for five or more days
  - ii. The course must be scheduled regularly with respect to the number of hours during each scheduled day, but not be scheduled coterminously with the primary term (can be offered during any term or intersession). For example, 6- or 8-week

courses offered during a primary term, or during a summer or winter intersession.

- iii. FTES calculation must apply the correct course length multiplier (the number of days the course is scheduled to meet; holidays are not counted)
- iv. TBA hours per week cannot be a part of a Daily Census class schedule. A Daily Census course must meet the same number of hours each day it meets.

The total student contact hours reported for each class reported under the Daily Student Contact Hour procedure should be the product of the number of students actively enrolled at census multiplied by the scheduled daily contact hours of the class, multiplied by the number of scheduled meetings of the class. Do not count holidays.

- c. The **Actual Hours of Attendance Procedure** (commonly referred to as Positive Attendance) is based on an actual count of enrolled students present at each class meeting and applies to the following types of courses, among others:

- i. Short-term credit courses scheduled to meet fewer than five days
- ii. Credit courses scheduled irregularly with respect to the number of days of the week and the number of hours the course meets on the scheduled days
- iii. All open entry/open exit courses
- iv. All noncredit courses except noncredit distance education courses and noncredit independent study courses
- v. Apprenticeship courses or course sections that are reported on the CCFS-320. Beginning in 2018-19, attendance of apprentices in credit courses offered in conjunction with an apprenticeship program sponsor, pursuant to Section 3074 of the Labor Code, may be reported on a positive attendance basis on the CCFS-320 Apportionment Attendance Report if such attendance is not reported on the CCFS-321 Apprenticeship Attendance Report. Attendance in classes taught by an apprenticeship instructor other than a community college faculty member cannot be reported on the CCFS-320.  
The attendance of students other than indentured apprentices enrolled in courses of related and supplemental instruction is reported on the CCFS-320 using the Actual Hours of Attendance procedure even if the

attendance of indentured apprentices in those courses is reported on the CCFS-321.

- vi. Noncredit courses of individual student tutoring

Note: With certain exceptions, FTES for any credit course may be computed using the Actual Hours of Attendance Procedure at the option of the district. The exceptions are:

1. Independent study and work experience education courses, and
2. In most cases, distance education and hybrid courses report using the Alternative Attendance Accounting Procedure.

- d. The **Alternative Attendance Accounting Procedure** (formerly called the Independent Study/Work Experience Education Procedure) applies to the following types of courses:

- i. All independent study courses
- ii. All cooperative education/internship/work experience courses
- iii. All distance education and hybrid courses (a combination of distance education and classroom/laboratory instruction) that do not qualify for the Weekly Student Contact Hour Procedure or the Daily Student Contact Hour Procedure. See the Distance Education Guidelines and related supplementary publications for the special requirements for distance education and hybrid courses to qualify for WSCH or DSCH reporting.

Alternative Attendance Accounting Procedure – Weekly Census: The weekly student contact hours reported for each class should be the product of the number of students actively enrolled at census multiplied by the number of units of academic credit associated with the class. It is allowable to add laboratory hours in special cases; see Item 4 in the Audit Criteria section above for details.

Alternative Attendance Accounting Procedure – Daily Census: The total student contact hours reported for each class should be the number of students actively enrolled at census multiplied by the number of units of academic credit associated with the class, times the approved term length multiplier. It is allowable to add laboratory hours in special cases; see Item 4 in the Audit Criteria section above for details.

- e. A special rarely used attendance accounting procedure involving two census dates for each course applies to all noncredit distance education and noncredit

independent study courses. See the SAAM for details and references to related California Code of Regulations, title 5 regulations.

- 4) Verify that courses are appropriately scheduled and contact hours are computed in accordance with California Code of Regulations, title 5 Regulations and the Student Attendance Accounting Manual (SAAM), including SAAM Addendum Concerning Academic Calendars, Course Scheduling, and Related Topics.
  - a. Compute Weekly or Daily Census contact hours reported based on the regularly scheduled hours for each class as published in the official schedule of classes, and not on the total number of contact hours listed on the course outline of record or college catalog.
  - b. Scheduling of courses must be consistent with the total number of class hours indicated in the approved course outline of record. Permit reasonable variances if due to legitimate scheduling considerations caused by course compression, computational exigencies, or exceptions provided for in California Code of Regulations, title 5. Auditors should use their judgment as to “reasonable variance” based on the guidance and examples in the SAAM Addendum Concerning Academic Calendars, Course Scheduling and Related Topics.
  - c. Compute individual class schedules on five-minute increments for starting and ending times (e.g., 8:00 a.m. to 9:25 or 8:00 a.m. to 11:10 a.m.)
  - d. Compute contact hours based on definitions and rules in California Code of Regulations, title 5 section 58023 and the SAAM, with a special focus on multiple-hour classes (e.g., a class that meets from 8:00 a.m. to 9:20, 8:00 a.m. to 11:50, or 6:00 p.m. to 9:05 p.m.).
  - e. The start and end times of each class meeting must be explicitly stated in every published schedule of classes and addenda, in print and online, exclusive of To Be Arranged hours (TBA).
  - f. Verify that correctly computed course section tabulations exist and contact hours aggregate appropriately for purposes of district contact hour and FTES reports, including the district’s Apportionment Attendance Accounting Report (CCFS-320).
- 5) Verify that the district has secured, as applicable, Chancellor’s Office approval for credit and noncredit courses reported for apportionment funding, and that the local governing board approved all courses following approval by a district/college curriculum committee.
- 6) Verify that the Chancellor’s Office approved all noncredit courses before students’ enrolled in the courses. Under conditions described in the Program and Course Approval Handbook, some credit courses may not require Chancellor’s Office

approval, such as non-degree-applicable credit courses and degree-applicable credit courses, which are not part of an approved educational program (commonly known as “stand-alone” courses).

## 425 RESIDENCY DETERMINATION FOR CREDIT COURSES

### **.01 Background**

District internal fiscal controls should ensure that state apportionment claimed for student attendance in credit courses is within statute and regulation limitations. Student residence classification at the time of registration is a major factor for allowing districts to claim state apportionment for credit courses.

### **.02 Criteria**

- 1) [Education Code](#) sections 66770-66773.5, 68000-68044, 68050-68080, 68082, 68100, 68101, 68130, 76140, 76140.5, and 76143
- 2) [California Code of Regulations, title 5](#), sections 54000-54072, 58012, 59114, and 59116.
- 3) [Chancellor’s Office, Student Attendance Accounting Manual and related advisories \(SAAM\)](#)

### **.03 Compliance Requirement**

Each district must ensure they claim only the attendance of California residents for State support of credit classes.

### **.04 Suggested Audit Procedures**

- 1) Test the supporting residency documentation (hardcopy and/or electronic) of a sample of students in credit courses to determine whether each student has been properly classified as either a "resident" or a "nonresident".  
The residence questionnaire used by the district in making residence classifications must require students to certify their answers under oath or penalty of perjury (certified electronically using an electronic signature or a manual signature).  
For students cross enrolled through the online course exchange of the Online Education Initiative Consortium for a course available at the teaching college, the teaching college must possess a signed consortium agreement indicating reciprocity to accept a home college’s determination of a student’s residency.
- 2) In addition, test a sample of student-athletes in credit courses to determine if residency status is properly classified. Enrolled student-athletes participate in an organized competitive sport sponsored by the college. Compare the student’s admission application and residence questionnaire to the Athlete’s Commission Athletics Form 1 for applicable information and confirm consistency.



- 3) Review the tabulations for the students in the above selected credit course section samples to determine whether the attendance claimed for nonresidents is appropriate for State support.

## 426 STUDENTS ACTIVELY ENROLLED

### **.01 Background**

For attendance accounting purposes, districts are required to clear the rolls of all inactive students as of each course section's drop date. The drop date shall be no later than the end of business of the day immediately preceding the beginning of the census week in weekly census procedure courses, or the day immediately preceding census day in daily census procedure courses, and is the date used to clear the rolls of the inactive enrollment for attendance accounting purposes. For noncredit distance learning courses, the drop date to clear the rolls of inactive students shall be the day prior to each of the two census dates.

### **.02 Criteria**

- 1) [California Code of Regulations, title 5](#), sections 58000, 58003.1, 58004, 58012, 58030, 58051, 58052, 59114, and 59116, 59350.
- 2) [Student Attendance Accounting Manual and related advisories \(SAAM\), California Community Colleges](#), pages 1.02-1.0

### **.03 Compliance Requirement**

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

### **.04 Suggested Audit Procedures**

- 1) For weekly census procedure courses, review course schedules to determine applicable credit courses are coterminous with the primary term and that the census weeks used in computing contact hours of enrollment are correct. Census week is the week nearest one-fifth of the number of weeks of the primary term (each week counted shall include at least three days of instruction or examination, exclusive of mandatory or local holidays).
- 2) For daily census procedure courses, review credit course schedules to determine the correct census day was determined as that nearest one-fifth of the number of sessions scheduled for the course, exclusive of mandatory or local holidays.

- 3) For short-term daily census courses where the census falls on the first day of the course, the enrollment is to reflect the active enrollment as of the end of the first day, and the census is on the second day.
- 4) For noncredit distance education and independent study courses, determine that the correct census dates were at the points nearest the one-fifth and three-fifths of the length of the course.
- 5) Test supporting disenrollment records to see whether they substantiate the count of active enrollment recorded on selected census procedure course tabulations.
- 6) As of the last day of business that precedes the census day, any student who has:
  - a. Been identified as a no show, or
  - b. Officially withdrawn from the course, or
  - c. Been dropped from the course

Is not eligible for funding in the course pursuant to Title 5 sections 58003.1 and 58004.

## 427 DUAL ENROLLMENT (CCAP and Non-CCAP)

### **.01 Background**

#### **CCAP**

On January 1, 2016, College and Career Access Pathways (CCAP) became a new option for dual enrollment that resulted from Assembly Bill 288 (Holden, 2015). Education Code section 76004 is the associated statute. In 2018, AB 1809 further amended the CCAP provisions. Under a CCAP, a community college district enters into a partnership with the governing board of a school district and/or the governing body of a charter school. Once a community college district incorporates an aspect of CCAP dual enrollment that is not allowable or required under previously existing law for non-CCAP dual enrollment, the district must adopt all the legal requirements of AB 288 and Education Code section 76004. There can be no partial implementation of the CCAP track for dual enrollment. If CCAP track is in use, the district must meet all applicable requirements.

As long as the requirements set forth in AB 288 are met, community college districts may enter into a formal partnership agreement with local school districts to provide a CCAP program. Benefits of this track include allowing qualified special part-time students to enroll in up to 15 units and the units constitute no more than four community college courses per term (and waiver of specified student fees, including nonresident tuition fees), and apportionment eligibility for closed college courses for eligible high school pupils if the course is offered at a high school campus, either in person or using an online platform, during

the high school's regular school day and the community college course is offered pursuant to a CCAP partnership agreement.

**Where they do not conflict with specific provisions of Education Code section 76004 as enacted by AB 288, other statutes such as Education Code sections 76001 and 76002 (including the Legal Opinion 16-02 analysis from the Chancellor's Office on non-CCAP dual enrollment programs) also apply under CCAP.**

### **Non-CCAP**

Existing law authorizes the establishment of community college districts under the administration of community college governing boards, and authorizes these districts to provide instruction at community college campuses throughout the state. Per Education Code section 48800, the governing board of a school district may authorize K-12 pupils who would benefit from advanced scholastic or vocational work, upon recommendation of the principal of the pupil's school of attendance, and with parental permission, to attend community college as special part-time or full-time students. These students may undertake one or more courses of instruction at the community college level in accordance with Education Code sections 76001 and 76002. This is now non-CCAP dual enrollment.

Community college districts are authorized to continue providing or establishing new dual enrollment opportunities in the same manner that they were providing prior to the enactment of AB 288 (through individual student enrollment or under an optional formal agreement with local school districts).

**Operating under Both CCAP and Non-CCAP Tracks:** A community college district may have a combination of Non-CCAP and CCAP dual enrollment opportunities, as long as it adheres to all applicable requirements.

## **.02 Criteria**

### **General**

- **The 10-percent dual enrollment FTES cap under AB 288 (Education Code section 76004(w)) is a statewide cap. As such, the state will monitor this limit and individual districts do not need to stay below 10-percent. An individual district or campus may have a higher percentage of Dual Enrollment FTES submitted for state apportionment funding. The Chancellor's Office will continue to monitor special admit FTES and advise districts as we approach the cap and/or if we believe it might be exceeded.**
- **Nonresident Tuition Fee Provisions are Applicable to Both CCAP and Non-CCAP Tracks.** AB 2364 (Holden, 2016) signed September 12, 2016 and effective on January 1, 2017, modified Education Code section 76140. Community college districts are

required to exempt all qualifying nonresident special “part-time” students (other than those with a non-immigrant status, such as those present in the United States on a B visitor Visa\*) from the nonresident tuition fee and expressly allows districts to report their attendance as resident FTES for apportionment purposes.

Under CCAP dual enrollment, qualifying special part-time student status permits enrollment up to 15 units and the units constitute no more than four community college courses per term. Under Non-CCAP dual enrollment, qualifying special part-time student status permits enrollment up to 11.99 units.

**\* As an interpretation of AB 2364, the Chancellor’s Office has determined nonresident special part-time students that hold a T or U non-immigrant visa would NOT be excluded from this required nonresident tuition fee exemption and qualifying special part-time students must reside in California during the period of attendance.**

## CCAP

- [Education Code](#) sections 11300, 48800–48802, 49011, 58012, 66010.4, 76000-76002, 76004, 76060.5, 76140, 76223, 76300, 76350, 78032, 79121, 84752, and 87010.
- **Exemption from High School Principal’s 5-Percent Summer Session Recommendation Limitation.** AB 526 (Holden, 2016) signed September 21, 2016 and effective immediately upon signature as an urgency bill modifies Education Code section 48800. CCAP enrolled students are exempt from the high school principal’s 5-percent summer session recommendation limitation, if conditions listed in Education Code section 48800 are met, until January 1, 2020.
- **CCAP Partnerships with Charter Schools and Closed High School Campus-based Courses Using an Online Platform:** AB 1809 (Higher Education Trailer Bill, Chapter 33, Statutes of 2018) signed June 27, 2018 and effective immediately, among other things, modified Education Code section 76004 to also permit a community college district to enter into a CCAP agreement with the governing body of a charter school in addition to a school district. Additionally, AB 1809 expanded the provision that permits community college districts to offer closed CCAP courses on a high school campus during the regular school day to be either in person or using an online platform.
- [California Code of Regulations, title 5](#), sections 51004, 51006, 51021, 53410, 55002, 55100, 58050, 58051(a) (1), 58051.5, 58052, 58056(a), 58058, 58060, 58100–58108, 59114, 59116, and 59300 et seq.
- Legal Opinion [M 02-20](#), issued by the Chancellor’s Office.
- [Legal Opinion 16-02](#), “Dual Enrollment and Assembly Bill 288 (CCAP)” – issued March 11, 2016, by the Chancellor’s Office.
- [AB 288 \(Dual Enrollment\) College and Career Access Pathways \(CCAP\) Partnership Agreement Guidelines for Apportionment Eligibility, March 2016](#)

- [January 4, 2016 UPDATED GUIDELINES FOR INSTRUCTIONAL SERVICE AGREEMENTS](#)

### **Non-CCAP**

- [Education Code](#) sections 48800–48802, 49011, 66010.4, 76000–76002, 76060.5, 76140, 76223, 76300, 76350, 78032, 79121, 84752, 87010, (for Long Beach CCD only – add sections 48810-48814, 76003, 87011, and 99301)
- [California Code of Regulations, title 5](#), sections 51004, 51006, 51021, 53410, 55002, 55100, 58012, 58050, 58051(a) (1), 58051.5, 58052, 58056(a), 58058, 58060, 58100–58108, 59114, 59116, and 59300 et seq.
- [Legal Opinion 16-02](#), “Dual Enrollment and Assembly Bill 288 (CCAP)” – issued March 11, 2016, by the Chancellor’s Office.
- Legal Opinion [M 02-20](#), issued by the Chancellor’s Office.
- [AB 288 \(Dual Enrollment\) College and Career Access Pathways \(CCAP\) Partnership Agreement Guidelines for Apportionment Eligibility, March 2016](#)
- [January 4, 2016 UPDATED GUIDELINES FOR INSTRUCTIONAL SERVICE AGREEMENTS](#)

### **.03 Compliance Requirements**

#### **CCAP**

The community college district has a CCAP partnership with a school district or charter school partner governed by a CCAP partnership agreement approved by the governing boards of both districts. As a condition of, and before adopting, the CCAP partnership agreement, the governing board of each district, at an open public meeting of that board, presented the dual enrollment partnership agreement as an informational item. The governing board of each district, at a subsequent open public meeting of that board, took comments from the public and approved the agreement.

The CCAP partnership agreement outlines the terms of the CCAP partnership and includes the total number of high school students the district expects to serve, and the total number of FTES the community college district expects to claim for those students. The scope, nature, time, location, and listing of community college courses the district expects to offer and criteria to assess the ability of pupils to benefit from those courses. The CCAP partnership agreement also establishes protocols for information sharing, in compliance with all applicable state and federal privacy laws, joint facilities use, and parental consent for high school pupils to enroll in community college courses.

The CCAP partnership agreement identifies a point of contact for the participating community college district and school district partner.

A copy of the CCAP partnership agreement is on file with the Chancellor's Office and with the State Department of Education before the start of the CCAP partnership.

The district participating in a CCAP partnership shall not provide physical education course opportunities to high school pupils pursuant to Education Code section 76004 or any other course opportunities that do not assist in the attainment of at least one of the goals listed in Education Code section 76004(a).

The district has not entered into a CCAP partnership with a school district within the service area of another community college district, except where an agreement exists, or where established, between those community college districts authorizing that CCAP partnership.

A high school pupil enrolled in a course offered through a CCAP partnership shall not be assessed any fee that is prohibited by Education Code section 49011.

The participating district may assign priority for enrollment and course registration to a pupil seeking to enroll in a community college course that is required for the pupil's CCAP partnership program. This priority is equivalent to the priority assigned to a pupil attending a middle college high school as described in Education Code section 11300 and consistent with middle college high school provisions in Education Code section 76001.

The CCAP partnership agreement certifies that any community college instructor teaching a course on a high school campus has no past conviction for any sex offense as defined in Education Code section 87010, or any controlled substance offense as defined in Education Code section 87011.

The CCAP partnership agreement certifies that any community college instructor teaching a course at the partnering high school campus has not displaced or resulted in the termination of an existing high school teacher teaching the same course on that high school campus.

The CCAP partnership agreement certifies that a qualified high school teacher teaching a course offered for college credit at a high school campus has not displaced or resulted in the termination of an existing community college faculty member teaching the same course at the partnering community college campus.

The CCAP partnership agreement includes a certification by the participating community college district of all of the following:

- 1) A community college course offered for college credit at the partnering high school campus does not reduce access to the same course offered at the partnering community college campus.

- 2) The CCAP partnership is not being offering a community college course that is oversubscribed or has a waiting list.
- 3) Participation in the CCAP partnership is consistent with the core mission of the community colleges pursuant to Education Code section 66010.4, and that participating pupils will not lead to enrollment displacement of otherwise eligible adults in the community college.

The CCAP partnership agreement certifies that both the school district and community college district partners comply with local collective bargaining agreements and all state and federal reporting requirements regarding the qualifications of the teacher or faculty member teaching a CCAP partnership course offered for high school credit.

The CCAP partnership agreement specifies which participating district is the employer of record for purposes of assignment monitoring and reporting to the county office of education, and which participating district assumes reporting responsibilities pursuant to applicable federal teacher quality mandates.

The CCAP partnership agreement certifies that any remedial course taught by community college faculty at a partnering high school campus is open only to high school students who do not meet their grade level standard in math, English, or both. This includes a qualified high school teacher teaching a college course as an “employee” of the community college district pursuant to California Code of Regulations, title 5 section 58058(b). This is an interim assessment in grade 10 or 11, as determined by the partnering school district.

The district may limit enrollment in a community college course solely to eligible high school students if the course is located at a high school campus, either in person or using an online platform, during the high school’s regular school day and the community college course is part of a CCAP partnership agreement.

For purposes of allowances and apportionments from section B of the State School Fund, a community college district conducting a closed course on a high school campus can earn credit for units of FTES attributable to the attendance of eligible high school pupils.

The district may allow a special **part-time** student participating in a CCAP partnership agreement to enroll in up to a maximum of 15 units per term if all of the following circumstances are satisfied:

- 1) The units constitute no more than four community college courses per term.
- 2) The units are part of an academic program that is part of a CCAP partnership agreement established pursuant to all applicable requirements.
- 3) The units are part of an academic program designed to award students both a high school diploma and an associate degree or a certificate or credential.

The governing board of a participating community college district exempts special part-time students in this program from the fee requirements in Education Code sections 76060.5, 76140, 76223, 76300, 76350, and 79121.

The district will not receive a state allowance or apportionment for an instructional activity for which the partnering district has been, or will be, paid an allowance or apportionment.

If no school district has received reimbursement for the same instructional activity, the attendance of a high school pupil at a community college as a special part-time or full-time student pursuant to this section is authorized attendance for which the community college may be credited or reimbursed pursuant to Education Code section 48802 or 76002.

For each CCAP partnership agreement entered into pursuant to Education Code section 76004, the community college district and school district shall report annually to the Chancellor's Office all of the following information:

- 1) The total number of high school pupils by school site enrolled in each CCAP partnership, aggregated by gender and ethnicity, and reported in compliance with all applicable state and federal privacy laws.
- 2) The total number of community college courses by course category and type and by school site enrolled in by CCAP partnership participants.
- 3) The total number and percentage of successful course completions, by course category and type and by school site, of CCAP partnership participants.
- 4) The total number of FTES generated by CCAP partnership community college district participants.
- 5) The total number of FTES served online generated by CCAP partnership community college district participants.

### **Non-CCAP**

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this dual enrollment arrangement only if it complies with all the following:

- 1) Education Code section 76002(a) specifies that for purposes of receiving state apportionments, a community college district may include high school pupils who attend a community college within the district pursuant to Education Code sections 48800 and 76001 in the district's report of FTES only if those pupils are enrolled in community college classes that meet all the following criteria:
  - a. The class is open to the public.



- b. The class is advertised as open to the general public in one or more of the following:
    - i. The college catalog.
    - ii. The regular schedule of classes.
    - iii. An addendum to the college catalog or regular schedule of classes.
  - c. If a decision to offer a class on a high school campus is made after the publication of the regular schedule of classes, and the class is solely advertised to the general public through electronic media, the class shall be so advertised for a minimum of 30 continuous days prior to the first meeting of the class.
  - d. Class offered at a high school campus may not meet during the time the campus is not open to the public, as defined by the governing board of the school district during a regularly scheduled board meeting.
- 2) If the class is a physical education class, no more than ten percent of its enrollment may be comprised of special part-time or full-time students. In the view of the Chancellor's Office, this ten percent limit serves as a limit on how many students may be claimed for apportionment in each course section, not how many may actually be enrolled in a class section. In addition, a community college district may not receive state apportionment for special part-time and full-time students enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students. PE courses under CCAP are also subject to the 5-percent FTES cap under Education Code section 76002(a)(4) if the district wishes to receive state apportionment for special admit students.
  - 3) The district must comply with the credit course approval requirements of Title 5 sections 51004, 51021, 55002(a) or (b), 55100, and 58050. Courses are not eligible for apportionment if they have not been properly approved by the district and, where applicable, by the Chancellor's Office, or are not taught in accordance with a locally established course outline.
  - 4) The district must comply with the instructor supervision requirements of Title 5 sections 55002(a)(4), 55002(b)(4), 58050, 58051(a)(1), 58052, 58056, 58058, and 58060. In addition, the instructor qualification requirements of sections 53410 and 58060. Educational activities of students used in computing FTES must be under the immediate supervision and control of an academic employee of the district authorized to render service in that capacity. Immediate supervision requires the presence of the authorized employee and is characterized by all of the following:
    - a. The employee is able to provide immediate instructional supervision and control, in terms of physical proximity and range of communication; and
    - b. The employee is in a position to provide supervision and control for the protection of the health and safety of students; and
    - c. The authorized employee does not have any other assigned duty during the instructional activity for which there is an attendance claim.

- 5) For courses taught under a contract with a public or private agency as provided in Title 5 section 58058, a district must have contracts both with the agency and with the individual who will provide the instruction. Both contracts must specify that the community college district has the primary right to control and direct the activities of the person providing the instruction. The requirements concerning immediate instructional supervision and control apply fully to those persons who provide instruction under these special contracts. If satisfying all the conditions, the person furnished by the public or private agency remains an employee of the agency. The person is an “employee of the district” only for the limited purpose of rendering instructional service during the term of the contract. In all cases, including the special contracting system, employees of the district who teach credit courses must meet the minimum qualifications for community college instructors. In most cases, the minimum qualification is the possession of a master's degree in the discipline of the instructor's assignment, or the equivalent.
- 6) Per Education Code section 84752, no community college district shall receive FTES funding for activities fully funded through another source. If a contract between a community college and a K-12 school district contains provisions that the K-12 school district will pay the community college for the full costs of offering a particular course, the community college district cannot claim apportionment for the course.
- 7) Per Education Code section 48800, for summer sessions, K-12 principals may not recommend more than five percent of the number of pupils who have completed a particular grade immediately prior to the time of the recommendation. In addition:
  - a. Recommended pupils must demonstrate adequate preparation in the discipline they wish to study.
  - b. The pupil must exhaust all opportunities to enroll in an equivalent course, if any, at his or her school of attendance.
- 8) Per Education Code section 76001(d), special part-time students may enroll in up to 11.99 (less than 12) units per semester.
- 9) Per Education Code section 76002(b), the governing board of a community college district may restrict the admission or enrollment of a special part-time or full-time student during any session based on any of the following criteria:
  - a. Age.
  - b. Completion of a specified grade level.
  - c. Demonstrated eligibility for instruction using assessment methods and procedures established pursuant to Education Code sections 78210 – 78300 and regulations adopted by the Board of Governors of the Chancellor’s Office.

#### **.04 Suggested Audit Procedures**

Determine if the district under audit is using CCAP track Dual Enrollment, Non-CCAP track Dual Enrollment, or both types. Proceed accordingly with the following suggested procedures. Some of the suggested steps occur in the suggested procedures for both tracks, but others are unique. Keep the tracks separate as you test. Do not mix the requirements of the two tracks.

For dual enrollment attendance claimed by the community college district for state apportionment and related to the suggested audit procedures below, test a representative sample of the courses generating the greatest number of dual enrollment FTES.

Include the number of FTES claimed for the instructional activity of any conditions cited for the following:

Note: Request Management Information Systems Data Mart data element: SB11, Student Education Status from District management information system to identify special admit students currently enrolled in K-12.

### **CCAP**

- 1) Review the CCAP agreement for compliance with given criteria above. The AB 288 Partnership Agreement Guidelines address the requirements and permissive elements.
- 2) Test participating CCAP students for eligibility based on the criteria given above.
- 3) Where the community college district limits enrollment in a course solely to eligible high school students, verify that the offered course is at a high school campus during the high school's regular school day, either in person or using an online platform, and the offered course is pursuant to a CCAP Partnership Agreement. CCAP courses not offered in this manner are required to be open to the public as evidenced by a clear and understandable description of the course published in the official catalog, and/or schedule of classes, and/or addenda (Education Code section 76004 and Title 5 sections 51006, 58050, 58051.5, and 58102–58108).
- 4) Verify that any special **part-time** high school students present in the CCAP course sample are enrolled in no more than 15 units per term, and that the units constitute no more than four courses per term, and other applicable requirements as noted in Education Code section 76004(p). Verify the district charged appropriate fees for all CCAP students that do not meet the criteria of special **part-time** students.
- 5) Determine the district has not claimed state apportionment funding for special part-time and full-time students (both in CCAP and Non-CCAP dual enrollment) enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students (Education Code section 76002(a)(4)).
- 6) For physical education course sections not occurring at high school campuses during the regular school day, determine not more than ten percent of the enrollment

**claimed** for apportionment for each course section consists of special part-time or full-time students (Education Code section 76002(a)(4)).

- 7) Determine if courses received necessary approvals and adhered to the applicable outline of record (Title 5 sections 51004, 51021, 55002, and 55100 et seq.).
- 8) Determine if the instructor teaching each course satisfies applicable minimum qualifications (Cal.Code Regs., tit. 5, sections 53410 et seq. and 58060).
- 9) Determine if instruction for each course was under the immediate supervision and control of the responsible district employee (Title 5 section 58056).
- 10) Where the CCAP course instructor is not a paid employee of the community college district, verify the college or community college district has a written agreement or contract with each instructor conducting instruction that generates FTES for state apportionment. The contracts must state the college or district has the primary right to control and direct the instructional activities of the instructor. The contract between the college or community college district and the instructor must be finalized and in effect prior to the commencement of instruction (Title 5 section 58058(b)).
- 11) Verify that the community college district received certification from the high school district certifying that full funding from other sources does not exist for any courses conducted under a CCAP agreement (Education Code section 84752 and Title 5 section 58051.5).
- 12) For summer session attendance, determine if the district has procedures to require K 12 principal(s) certify that they have not recommended for community college attendance more than five percent of the total number of pupils who completed that grade immediately prior to the time of recommendation. As indicated in the Criteria section above, AB 526 became law on September 21, 2016 and permits high school principals to exclude from the five percent limit calculation specified CCAP students (Education Code section 48800 (d) (2)).
  - a. Auditor may test other documentation maintained by the District aside from certifications; however, contemporaneous evidence should provide similar assurances.
  - b. Regarding the responsibility to ensure compliance with the 5% limitation for summer session admission, reference Legal Opinion 16-02, Question III.D.2.

### **Non-CCAP**

- 1) Determine if courses were open to the public as evidenced by a clear and understandable description of the course published in the official catalog, and/or schedule of classes, and/or addenda (Education Code section 76002 and Title 5 sections 51006, 58050, 58051.5, and 58102–58108).
- 2) If a decision to offer a class on a high school campus is made after the publication of the regular schedule of classes, and the class is solely advertised to the general public through electronic media, the class must be advertised for a minimum of 30

continuous days prior to the first meeting of the class ([Reference Legal Advisory 16-02, section III\(B\)](#) on page 18).

- 3) Determine if the registration procedures for courses had the purpose or effect of limiting enrollment to a specialized clientele such as K-12 pupils.
- 4) Determine if courses receive necessary approvals and are taught in accordance with the applicable outline of record (Title 5 sections 51004, 51021, 55002, and 55100 et seq.).
- 5) Determine if the instructor teaching each course satisfies applicable minimum qualifications (Title 5 sections 53410 et seq. and 58060).
- 6) Determine if instruction for each course is under the immediate supervision and control of the responsible district employee (Title 5 section 58056).
- 7) Where the course instructor is not a paid employee of the community college district, verify the college or community college district has a written agreement or contract with each instructor conducting instruction that generates FTES for state apportionment. The contracts must state that the college or district has the primary right to control and direct the instructional activities of the instructor. The contract between the college or community college district and the instructor must be finalized and in effect prior to the commencement of instruction (Title 5 section 58058(b)).
- 8) Verify the community college received verification from any contracted public or private agencies certifying that full funding does not exist from other sources for any courses conducted under a contractual agreement. This includes those pursuant to Title 5 section 58058. Where no contract exists, determine whether the district obtained such a certification or can otherwise demonstrate that other sources have not fully funded the instructional activity conducted (Education Code section 84752 and Title 5 section 58051.5).
- 9) Verify special part-time K-12 students present in the course sample enrolled in no more than 11.99 (less than 12) units per semester and the district has obtained verification from the K-12 school district that the student can benefit from advanced scholastic or vocational work (Education Code sections 48800(a), 48800.5, 76300 and 76001(d)).

Verify enrollment fees assessed are correct once a student enrolls in over 11.99 (less than 12) units in a term and student becomes a special full-time student.

- 10) Determine the district has not claimed state apportionment funding for special part-time and full-time students (both in CCAP and Non-CCAP dual enrollment) enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students (Education Code section 76002(a)(4)).

- 11) For physical education course sections, determine that not more than ten percent of the enrollment claimed for apportionment for each course section consists of special part-time or full-time students (Education Code section 76002(a)(4)).
- 12) For summer session attendance, determine if the district has procedures to require K 12 principal(s) certify that they have not recommended for community college attendance more than five percent of the total number of pupils who completed that grade immediately prior to the time of recommendation. AB 526 was signed into law on September 21, 2016 and permits high school principals to exclude from the five percent limit calculation specified CCAP students (Education Code section 48800(d)(2)).
  - a. Auditor may test other documentation maintained by the district aside from certifications; however, contemporaneous evidence should provide similar assurances.
  - b. Regarding the responsibility to ensure compliance with the 5% limitation for summer session admission, reference Legal Opinion 16-02, Question III.D.2.

**If findings from this test do not provide information as directed below, the Chancellor's Office will consider the audit report incomplete and rejected until amended.**

Some transactions testing within this state compliance test require using a statistically significant sample where results may affect State funding. Extrapolation of sample results to the full population of transactions is required regardless of funding levels. Take a stratified sample as needed, as it will assist the accuracy of the extrapolation. The Chancellor's Office will calculate the questioned dollar amount using the questioned FTES or students served information provided by the auditor.

Report questioned FTES and students served information as Credit, Noncredit, or Noncredit CDCP, and specify each Center and Campus. Per Title 5 section 58012, calculations must be to four decimal places and displayed rounded to two.

Include the source of your sample in your finding. For instance, did you test data found on the P1, P2, Annual, or Recal report? Report the quantity of sample transactions tested from each Center or Campus.

If the district corrects the auditor-identified discrepancy, state which report identifies the audit correction (P1, P2, Annual, or Recal report). Corrections sent to the Chancellor's Office on any report must be specifically identified as resulting from a specific audit finding number to be considered resolved. If the Chancellor's Office is not able to identify the correction specifically, our office will make the correction.

Perform a 100% review of the full population of transactions tested that resulted in the finding in place of extrapolating any findings related to State funding. The CPA firm must oversee and certify the results of the review. Report review results to the Chancellor's Office whether they increase or decrease the audit sample results.

## 430 SCHEDULED MAINTENANCE PROGRAM

### **.01 Background**

The Scheduled Maintenance Program is designed to protect the State's investment in community colleges through the timely repair and maintenance of facilities, to correct and avoid health and safety hazards, to maintain an environment conducive to learning, to prevent the disruption of programs, and to improve long-term cost effectiveness of facility operations.

Scheduled maintenance and special repair means unusual, non-recurring work to restore a facility to a safe and continually usable condition of original intent.

### **.02 Criteria**

- [Education Code](#) section 84660
- [California Code of Regulations, title 5](#), sections 57200-57205
- [2017 Budget Act](#) [AB 97, Ch. 14, Item 6870-101-0001(24)]
- Scheduled Maintenance 5-Year Plan – located in the FUSION system
- [Scheduled Maintenance Program Criteria for Evaluating Waiver of 50% District Match](#)
- Budget and [Accounting](#) Manual (BAM)
- [Block Grant Certification for Expenditures](#)
- [FP99-09 Facilities Planning Unit Advisory dated August 6, 1999](#)

### **.03 Compliance Requirement**

Funds provided by the State must be to supplement, not supplant, district deferred maintenance funds. This is the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and the district's match for the Scheduled Maintenance Program for the year under audit.

### **.04 Suggested Audit Procedures**

- 1) Determine how much in district funds was spent in fiscal year 1995-96 in the General Fund on Operation and Maintenance of Plant (Activity Code 6500), excluding any state funds and match dollars expended for "Deferred Maintenance and Special Repairs" as defined in Education Code, section 84660, if reported in Activity Code 6500 (This amount may be found in the audit report for fiscal year 1998-99).
- 2) Determine how much the district expended for Operation and Maintenance of Plant (Activity Code 6500) in the General Fund for the fiscal year under audit.
- 3) Determine Scheduled Maintenance and Special Repairs block grant expenditures (include state and district match) for the fiscal year being audited.

- 4) Determine other Scheduled Maintenance and Special Repairs expenditures incurred and funded by district or other funds for the fiscal year under audit.
- 5) Add the amounts determined in 2, 3, and 4 above.
- 6) Add the amounts determined in 1 and 3 above.
- 7) A reportable instance occurs if the amount identified in **6** above is greater than the amount identified in **5** above. The worksheet below will assist the auditor in determining compliance.

<b>SCHEDULED MAINTENANCE PROGRAM MAINTENANCE OF EFFORT WORKSHEET</b>	
1. 1995-96 Operations and Maintenance Expenditures (Actual from 1998-99 Annual Audit Report).	\$ _____
<b>Expenditures for fiscal year being audited</b>	
2. General Fund Expenditures – Routine Maintenance and Operation of Plant (Activity 6500) and Physical Property and Related Acquisitions (Activity 7100) All Fund Sources	\$ _____
3. Total Scheduled Maintenance and Special Repairs <b>Block</b> Grant Expenditures (Includes State and District <b>Match</b> )	\$ _____
4. District/Other Funded Scheduled Maintenance and Special Repairs Expenditures	\$ _____
5. Total Expenditures (Add lines 2, 3, and 4)	\$ _____
6. Line 1 Plus Line 3	\$ _____
Maintenance of Effort test is adequate if line 5 equals or exceeds line 6.	

#### 431 GANN LIMIT CALCULATION

##### **.01 Background**

Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, require each community college to compute its annual appropriation limit. Each limit is adjusted annually for changes in price index, population and, if applicable, other factors. Title 5 section 58303 indicates the district's adopted budget shall also include the appropriations limit and the total annual appropriations subject to limitations. Government Code, section 7908(c) requires each community college district to report to the Chancellor of the California Community Colleges and to the Director of the Department of Finance at least annually its appropriation limit, appropriations subject to limit, state aid apportionments, subventions included within property tax proceeds and amounts excluded from the appropriations subject to limit. Report this information in the Annual Financial and Budget Report (CCFS-311), Part 2 General Fund Supplemental Data.



## **.02 Criteria**

- [Article XIII-B](#), section 1.5 of the California Constitution
- Proposition 111, effective July 1, 1990
- [California Code of Regulations, title 5](#), section 58303
- [Government Code](#), section 7908(c)

## **.03 Compliance Requirement**

Each district's adopted CCFS-311 contains the appropriations limit, and the total annual appropriations subject to limitation as determined pursuant to Government Code, Division 9 (commencing with section 7900). Certified public accountants as part of annual financial audits shall verify the calculation and adoption.

## **.04 Suggested Audit Procedures**

- 1) Obtain the Gann Limit Worksheet for the current fiscal year from the district business office and compare the summary figures reported in the CCFS-311 with the Gann Limit Worksheet totals.
- 2) Test the calculations performed on the worksheet.
- 3) Trace the source figures used on the current year's worksheet back to the source documents. For instance, previous years' attendance figures are available on the CCFS 320s. Line 1.A., the previous year's Apportionment Limit including state transfer, is an accumulation of previous years' calculations. Trace that amount back to the total from the previous year's worksheet. It is not necessary to trace that amount back through the numerous worksheet calculations since 1980.

The district's governing board does not need to certify the worksheet calculations with the change in reporting requirements.

- 4) Reportable errors exist if calculations are significantly in error or if there is inaccurate summarization of source figures.

435 OPEN ENROLLMENT

## **.01 Background**

Title 5 section 51006, specifies the governing board of each community college district shall adopt by resolution a policy related to open courses. In addition, a statement of this policy shall be published in the official catalog, schedule of classes, and any addenda to the schedule of classes for which FTES is reported for state apportionment. Finally, each district shall also file a copy of the statement with the Chancellor's Office.

## **.02 Criteria**

- [California Code of Regulations, title 5](#), sections 51006, 58012, 58050, 58051, 58051.5, 58051.6, 58102, 58104, 58106, 59114, and 59116
- [Penal Code, section 832.3\(c\)](#)
- [Legal Opinion 16-02](#), Dual Enrollment and Assembly Bill 288 (CCAP) by the Chancellor's Office
- [AB 288 \(Dual Enrollment\) College and Career Access Pathways \(CCAP\) Partnership Agreement Guidelines for Apportionment Eligibility March 2016](#) by the Chancellor's Office

### **.03 Compliance Requirement – Open Courses**

Community college districts shall comply with the Title 5 provisions related to open enrollment by the public for all the courses submitted for state apportionment funding.

Courses that qualify for state apportionment must be open to enrollment by the public unless specifically exempted by statute. Title 5 sections 58102, 58104, and 58106 outline certain requirements that districts must meet to ensure that their courses are open and available to all students. For example, Title 5 section 58104 states that a description of each course must be published in the official catalog and schedule of classes and that for courses that the districts establish or conduct after publication of the general catalog or regular schedule of classes, those classes must also be reasonably well publicized. Furthermore, course announcements shall not be limited to any specialized clientele, nor shall any group or individual receive notice before the public for purposes of preferential enrollment. Anyone who might be interested in enrolling in a particular course section will know it is available and understand that enrollment is open to anyone who meets properly established prerequisites or enrollment limitations through course advertising.

State apportionment is available for in-service training courses in the areas of police, fire, corrections, and other criminal justice system occupations if the courses meet all apportionment attendance and study requirements otherwise imposed by law. At least 15 percent of the enrollment in law enforcement continuing training prescribed in Penal Code, sections 830-832.16 shall consist of persons who are not law enforcement trainees if the persons are available to attend a course. At least 15 percent of the enrollment in in-service fire training courses shall consist of persons who are not volunteers of, nor employed by, a fire protection or fire prevention agency or association, if the persons are available to attend a course (Title 5 section 58051(c), (d), and Penal Code section 832.3(c)).

Community colleges may give preference in enrollment to persons employed by or serving in a voluntary capacity with a fire protection or prevention agency or to law enforcement trainees when such persons could not otherwise complete the course within a reasonable time or the time required by statute, and when no other training program is reasonably available. For purposes of state apportionment, classes must be located in facilities

identified clearly to promote attendance by the public except where statute allows otherwise. See Legal Advisory 05-04, Distance Education and Open Course Requirements, which provides that the Chancellor’s Office will from the date of the advisory accept two-way synchronous distance education conducted between fixed locations as being “open” and eligible for apportionment if at least half of the sites are open to all students (Title 5 sections 58051(d) and 58051.5(a)(3))

#### **.04 Suggested Audit Procedures**

- 1) Sample the class announcements of classes claimed for state apportionment to ensure that all classes were open to all admitted students unless specifically exempted. Ensure that classes conducted off campus are included in the items tested, if applicable.
- 2) Ensure all classes included in the above sample are located in facilities clearly identified in such a way to ensure that attendance is open to all admitted students unless exempted by statute. For example, ensure classes offered at a high school campus are scheduled at times that the high school campus is open to the public.
- 3) Test a sample of classes to ensure that all classes were in the college catalog and in the class schedule for the term offered. There should be a clear and understandable description of each class.
- 4) Verify in-service training courses meet apportionment attendance and study requirements. Include samples of police, fire, corrections, and other criminal justice system courses offered at the district.

#### 439 PROPOSITION 39 CLEAN ENERGY FUND

##### **.01 Background**

The implementing legislation for Proposition 39 added a new chapter within the Clean Energy Job Creation division of the Public Resources Code. Funding provided to community college districts pursuant to Public Resources Code, section 26240(g) is subject to annual audits required by the Education Code, section 84040.

##### **.02 Criteria**

- [Public Resources Code, sections 26225-26240](#)
- [Education Code, section 84040](#)
- [Approved CCC Proposition 39 Energy Project Guidelines](#)
- [Project Funding Application](#)
- [Public Contract Code, section 20113](#)

##### **.03 Compliance Requirement**

Financial compliance includes: installation of approved plan retrofits or new installations; reflection of the Chancellor’s Office approved Proposition 39 Project Funding application and

Project Measurement and Verification (M&V) documentation in actual equipment installations; supporting documents substantiate purchases; and, for larger ticket items like boilers and HVAC, serial numbers on equipment match serial numbers on supporting purchase documents.

Source documents should support administrative/overhead costs, if allowed. Track and report Proposition 39 funds separately, and do not comingle with other funds. Comply with rules for competitive bidding and the Public Contract Code.

Install energy efficient retrofit or new installation as required in the approved project scope.

Utility energy cost savings are tracked pre and post retrofit by means of the Program Tracking Database.

#### **.04 Suggested Audit Procedures**

- 1) Verify separate tracking and reporting for Proposition 39 funds. Comingling of Proposition 39 funds with other state or local funds is not allowed.
- 2) Review Final Project Verification Report to ensure completion and that it has appropriate signatures.
- 3) Trace items on the Chancellor's Office approved Proposition 39 Project Funding application and Project Verification Report to supporting documents (invoices, purchase orders, etc.).
- 4) Verify compliance with competitive bid process and other Public Contract Code requirements.
- 5) Trace a sample of serial numbers on purchase documents for large equipment items such as boilers and HVAC to the equipment to verify items purchased with Proposition 39 funds are in service at the district.

### 444 APPRENTICESHIP RELATED and SUPPLEMENTAL INSTRUCTION (RSI) FUNDS

#### **.01 Background**

Apprenticeship programs offer Californians a pathway to in demand high wage and high-growth careers. Meeting the diverse and technical needs for hundreds of industries and occupations requires training. The planned training involves a progression of tasks on the job combined with classroom instruction.

#### **.02 Criteria**

- [Apprenticeship California Labor Code Sections 3070-3098](#)
- [Education Code](#) sections 8150-8155, 79140 - 79149.6
- [California Code of Regulations, title 5, section 56652](#)
- [Student Attendance Accounting Manual](#) Chapter 5
- [Budget and Accounting Manual](#) Chapter 3
- [Annual Budget Act](#)
- Apprenticeship Expenditure and Accounting Guidelines (request these at the site under audit)

### **.03 Compliance Requirements**

- a) Hours for related and supplemental instruction reported to each community college district by a participating apprenticeship program sponsor, pursuant to Education Code section 79149.3, must be eligible for reimbursement pursuant to Education Code section 79149.3.
- b) Reimbursements may be made under this section for related and supplemental instruction provided to indentured apprentices only if the instruction is provided by a program approved by the Division of Apprenticeship Standards of the Department of Industrial Relations in accordance with Chapter 4 (commencing with Section 3070) of Division 3 of the Labor Code.
- c) Reimbursement requests for RSI must be supported by source documents such as student sign in sheets for classes. Remote students must also show proof of having received instruction to be eligible for RSI funds.

### **.04 Suggested Audit Procedures**

- 1) Select a representative sample of students and verify the hours claimed for RSI, as reported by a participating apprenticeship program sponsor pursuant to Education Code sections 8150.5, 8152, and 79149.3, are eligible for reimbursement, by tracing the hours reported for reimbursement to source documents (i.e. student sign in sheets).
- 2) For isolated apprentices, as defined by Labor Code section 3074, select a representative sample of students and obtain evidence that supports attendance during instructional events.
- 3) State in a finding the resulting hours inappropriately reported for reimbursement and an estimate of their dollar value.

## **475 DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)**

### **.01 Background**

Community College students with disabilities are those who have applied to or enrolled at a community college who, because of a verified disability, cannot benefit from general education classes, activities, and services without additional DSPS program support services to mitigate the effects of the educational limitations due to the disability.

The purpose of academic adjustments, auxiliary aids, services and/or instruction is to allow the student with a disability to fully participate in the general college program; provide educational accommodations leading to vocational preparation, transfer, or general education; and increase independence or referral of the students to community resources most appropriate to their needs. These programs apply only when they facilitate the student's measurable progress towards his or her educational goals. Do not count potential students for DSPS funding that have not applied to or enrolled at the college. Disabled Student Programs and Services is a categorical aid program authorized under AB 77 (Chapter 275, Statutes of 1976) as amended by AB 2670 (Chapter 1407, Statutes of 1978). The program is further modified by AB 8 (Chapter 282, Statutes of 1979), and SB 1053 (Chapter 796, Statutes of 1981), amended by AB 746 (Chapter 829, Statutes of 1987). Most recently, AB 2791 amends these programs (Chapter 109, Statutes of 2016). The basis for state allocations for the program are on an excess-costs basis to meet the educational needs of students with verifiable disabilities. Community college districts shall submit student-count data annually to document eligible DSPS students served.

## **.02 Criteria**

[42 United States Code](#) section 12101

[Education Code](#), sections 14020.1, 66010.4, 66701, 67300-67313, 70901, 71020.5, 84320-84328, and 84850. Beginning January 1, 2017, this section changes language for eligibility from “enrolled” to “applied to or enrolled” in state-sponsored disabled student services programs or courses.

[California Code of Regulations, title 5](#), sections 56000-56076, 59114, and 59116

[Management Information Systems Data Mart – DSPS reports](#)

[Chancellor's Office DSPS Guidance](#) (includes allocations link)

[Implementing Guidelines for Title 5 DSPS Regulations \(expenditure guidelines\)](#)

## **.03 Compliance Requirement**

Auditors may examine all criteria above. Colleges must allow auditors to review student files for DSPS eligibility with the exception of confidential learning disability testing protocols. Documentation of the interactive process in DSPS file demonstrates compliance.

## **.04 Suggested Audit Procedures**

Test student files for eligibility, including that they are “enrolled” prior to January 1, 2017, or have “applied to or enrolled” in the college after January 1, 2017 for state-sponsored disabled student services programs or courses.

Test expenditures for appropriate use of DSPS funds.

479 TO BE ARRANGED HOURS (TBA)

.01 **Background**

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, title 5, sections 58003.1(b) and (c), respectively. Procedures required for the TBA hours are below. In some situations, the entire course might be on TBA, and in that case, this course would follow the same rules.

The Student Attendance Accounting Manual, page 3.3, refers to TBA hours or “hours to be arranged,” which for purposes of this advisory have the same meaning as “HBA” or “hours by arrangement” or any other local term used to designate these hours.

TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to California Code of Regulations, title 5, section 58003.1(f) (i.e., Distance Education courses not computed using other attendance accounting procedures, Independent Study courses, and Cooperative-Work Experience education courses).

## .02 **Criteria**

- [Education Code](#), sections 84040 and 88240
- [California Code of Regulations, title 5](#), sections 53415, 55002, 55002.5, 58000, 58003.1, 58006, 58020, 58030, 58050, 58051, 58056, 58102, 58104, 58108, 58168, 58170, 58172, 59020, and 59112, 59114, and 59116
- [Student Attendance Accounting Manual and related advisories](#)
- [Latest Clarification on TBA Memorandum, March 8, 2013](#)
- [Second To Be Arranged \(TBA\) Hours Follow-up Memorandum, June 10, 2009](#)
- [To Be Arranged \(TBA\) Hours Follow-up Memorandum, January 26, 2009](#)
- [To Be Arranged \(TBA\) Hours Compliance Advice \(Legal Advisory 08-02\), October 1, 2008](#)

## .03 **Compliance Requirement**

Districts are required to list TBA hours in the schedule of classes, and describe them in the course outline.

Districts need to track TBA hour student participation carefully and make sure they do not claim apportionment for TBA hours for students who have documented zero hours as of the census point for the particular course.

#### **.04 Suggested Audit Procedures**

1. Determine a clear description of the course, including the number of TBA hours required, appears in the official schedule of classes or addenda thereto. See the latest clarification on TBA memorandum dated March 8, 2013 in the criteria section above.
2. Determine 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 know of these instructional activities and expectations for completion via class syllabus or other document.
3. Determine apportionment and attendance record compliance as of census date by reviewing supporting documentation such as the attendance roster.

#### **490 PROPOSITIONS 1D and 51 STATE BOND FUNDED PROJECTS**

##### **.01 Background**

Per Executive Order S-02-07, department expenditures of Proposition 1D and Proposition 51 bond proceeds shall be subject to audit to determine whether the expenditures made from bond proceeds:

- 1) Were made according to the established front-end criteria and processes,
- 2) Were consistent with all legal requirements, and
- 3) Achieved the intended outcomes.

Community college districts submit claims for reimbursement of expenditures incurred for capital outlay projects to the Chancellor's Office. Supported claims are paid. Examples of support include invoices, Capital Outlay Budget Change Proposals (COBCPs), approved equipment lists, and documents that release funds from the Department of Finance for specific project phases (DF14Ds). The Chancellor's Office cannot reimburse claims if invoices are not previously paid or incurred prior to release of funds for the specific project phase in question.

##### **.02 Criteria**

- [Education Code, sections 81837, 84040, and 101032 through 101039.5](#)
- [Title 5 Community College Construction Act, sections 57000-57205](#)
- [Executive Order S-02-07](#)
- [Proposition 51 Proposed Laws, Education Code, section 101142, \(a\)](#)
- [Capital Outlay Budget Change Proposals \(COBCPs\) for projects being tested](#)
- [Equipment Lists](#) for projects being tested – this link is just an example, you must request one from the district



- Grant Documents (DF14Ds) for projects being tested – these documents authorize the release of project funds by the Department of Finance for selected community colleges to start a project phase

**.03 Compliance Requirement**

Reported Proposition 1D and Proposition 51 costs for the audit period must be accurately reported, appropriate, incurred for the project, and paid by the district.

**.04 Suggested Audit Procedures**

- 1) Select a sample of claimed costs reported on the Capital Outlay Program Claim forms submitted for state reimbursement.
- 2) Verify the claimed costs are project-related and reimbursed by the state during the audit period.
- 3) Verify the dates and invoices, cancelled checks, and/or other source documents adequately support claimed costs.
- 4) Verify the dates of the claimed costs are within the effective dates on the related form DF14D.
- 5) Conclude whether the costs are accurately reported on the claim forms, appropriate, incurred for the project, and paid by the district.

491 EDUCATION PROTECTION ACCOUNT FUNDS

**.01 Background**

In 2012, Proposition 30 created an Education Protection Account (EPA) within the General Fund. In 2016, Proposition 55 then extended the EPA through 2030 with no changes to reporting requirements. A community college district shall have sole authority to determine how to spend the moneys received from the EPA in the school or schools within its jurisdiction. The governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and **shall not use any of the funds from the EPA for salaries or benefits of administrators or any other administrative costs.**

Each community college district shall annually publish on its Internet website an accounting of how much money it received from the EPA and how it spent the money. The Annual Financial and Budget Report (CCFS-311) includes a Supplemental Data Report for EPA fund expenditures, similar to the Receipt and Expenditures of Lottery Proceeds Report. Object code 8630 is used to record EPA revenues.

Expenses paid with funding from the EPA to comply with the additional audit requirement of this section are the only acceptable administrative costs for purposes of this section. Accounting Advisory FS 16-13 clarifies this topic. Sections 250 and 327 in the CDAM require reconciliation of and reporting on the EPA account.

**.02 Criteria**

- a) [The California Children's Education and Health Care Protection Act of 2016](#)
- b) [California Constitution Article XIII section 36](#)
- c) [California Community Colleges Budget and Accounting Manual 2012 edition](#)
- d) [California Community Colleges Apportionment Reports](#)
- e) [Accounting Advisory FS 16-13](#)

**.03 Compliance Requirement**

EPA funds disbursed and expended comply with the California Children's Education and Health Care Protection Act of 2016.

**.04 Suggested Audit Procedures**

- a) Verify the local governing board held an open session public meeting where they took action to adopt a plan to expend EPA funds.
- b) Verify the district expended EPA funds according to the board adopted EPA spending plan.
- c) Verify EPA funds **were not used to support administrative salaries and benefits or other administrative costs** consistent with the California Constitution Article XIII section 36 (e)(6) and the Chancellor's Office Accounting Advisory FS 16-13 dated December 19, 2016.

SECTION 500  
FEDERAL COMPLIANCE REQUIREMENTS

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**.01** Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200) replaced the Office of Management and Budget Circulars A-133, A-110, and A-21. These revisions include, among various other changes affecting the CDAM, an increase to the audit threshold from \$500,000 to \$750,000. There is also a revised audit finding threshold. Under the new requirements, the known and likely questioned costs threshold increases from \$10,000 to \$25,000.

**.02** The U.S. Department of Education now requires institutions that participate in federal student financial aid programs to submit data from their audited financial statements as well as attaching a PDF of their audit report using the eZ-Audit submission system within nine months of their fiscal-year end effective June 16, 2003. Additional information about this process is found at: <<https://ezaudit.ed.gov/EZWebApp/common/login.jsp>>. Public and/or non-for-profit institutions still need to submit their audit report to the Federal Audit Clearinghouse as required under Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200).

**.03** Recipients of federal awards exceeding \$750,000 are required to have a single or program-specific audit conducted for that year in accordance with the provisions of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200). The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards sets forth the major compliance requirements for an organization-wide audit of a community college district that receives federal assistance. It identifies the programs and related compliance requirements, and provides suggested audit procedures applicable in audits of community college districts. The revised Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is published at the following link: [Code of Federal Regulations](#).

**.04** For those federal programs not covered in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the auditor should use the types of compliance requirements contained in the contract for receipt of federal funds as guidance in selecting the types of compliance tests to perform. The auditor must determine the requirements governing the federal program by reviewing the provisions of contracts and grant agreements and the laws and regulations referred to in such contracts and grant agreements. Auditors should use professional judgment to choose procedures and determine the extent of tests performed. Tailor the audit procedures to individual programs and circumstances. The auditor is also responsible for ensuring that specific requirements modified by a change in a law or regulation are included in the audit procedures.

## 520 REQUIRED FEDERAL COMPLIANCE TESTS

**.01** In making a determination not to test a compliance requirement, the auditor must conclude that either the requirement does not apply to the particular non-federal entity or that failure to comply with the requirement will not have a material effect on a major program. Auditors shall consider the compliance requirements and related audit objectives for programs included in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in every audit of non-federal entities with the exception of program specific audits performed using a federal agency's program specific audit guide.

## 521 CONDITIONAL TESTS OF GENERAL COMPLIANCE (EDGAR)

### **.01 Background**

Vital components to implementing any federal program are the general administrative requirements contained in section 34 of the Code of Federal Regulations, which are more commonly called the Education Department General Administrative Regulations (EDGAR). EDGAR defines the uses of federal funds and provides administrative procedures that grantees and sub grantees must apply to those funds.

Beyond EDGAR, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200), which replaced the Office of Management and Budget Circulars A-133, A-110, and A-21, include, among various other changes impacting the CDAM, an increase to the audit threshold from \$500,000 to \$750,000. Find the revised Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at the following link: [Code of Federal Regulations](#).

### **.02 Compliance Requirement**

- 1) A grantee shall keep financial records that clearly show:
  - a. The amount of funds under the grant;
  - b. How the grantee uses the funds;
  - c. The total cost of the project;
  - d. The share of the cost provided from other sources; and
  - e. Other records to facilitate an effective audit.
- 2) Generally, financial status reports shall not be required more frequently than quarterly. When reports are required quarterly, they shall be due 30 days after the end of the reporting period. Final reports, addressing both financial status and program performance, shall be due 90 days after the completion of the award.
- 3) A grantee's financial management system shall provide accurate, current, and complete disclosure of the financial results of each federally sponsored project. The grantee's records shall:

- a. Provide information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
  - b. Compare outlays with budget amounts for each award.
- 4) A grantee shall retain records for three years from the date of the submission of the final expenditure report or, for awards renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report. Exceptions to the three year requirement are as follows:
  - a. If any litigation, claim, or audit begins before the expiration of the three-year period, retain the records until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
  - b. Retain records for real property and equipment acquired with federal funds for three years after final disposition.
  - c. The three-year retention period for documents related to indirect cost rate computations or proposals, cost allocation plans and any similar accounting computations shall start on the date of submission of those records for negotiation, if that is the case, or at the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

### **.03 Criteria**

- Code of Federal Regulations, Part 75, section [730](#); and Part 76, section [730](#)
- [Code of Federal Regulations, Chapter 2, part 200](#)

### **.04 Compliance Requirement**

Procedures for managing equipment purchased with federal funds, until transfer or disposition takes place meet the following requirements:

- 1) The recipient's property management standards for equipment acquired with federal funds and for federally owned equipment should include all of the following:
  - a. A description of the equipment.
  - b. Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
  - c. Source of the equipment, including the award number.
  - d. Whether title vests in the recipient or the federal government.
  - e. The information needed to calculate the federal share of the equipment.
  - f. Acquisition date and unit acquisition cost.
  - g. Location, use and condition of the equipment and date of information capture.
  - h. Ultimate disposition data, including date of disposal and sales price or the method used to determine the current fair market value where a recipient compensates the federal awarding agency for its share.
- 2) Take physical inventory of equipment and reconcile results with the equipment records at least once every two years, verify the existence, current use, and continued need for the equipment. Investigate differences between physical

inventory and accounting records to determine cause of difference. A statistical sampling basis is acceptable.

- 3) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Investigate and document loss, damage, or theft of equipment. Implement adequate maintenance procedures to keep the equipment in good condition.

#### **.05 Criteria**

- [Code of Federal Regulations, Chapter 2, part 200](#)

#### **.06 Compliance Requirement**

The replacement and/or disposal of federal property require that the grantee follow these procedures:

##### **Replacement of Equipment**

When replacing equipment, the recipient may use the replaced equipment as trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment subject to the approval of the federal awarding agency.

##### **Disposition of Equipment**

When the recipient no longer needs the equipment, they may use it for other activities in accordance with the following standards. For equipment with a current per unit fair market value of \$5,000 or more, the recipient may retain the equipment for other uses if compensating the original federal awarding agency or its successor. Compute the amount of compensation by applying the percentage of federal participation in the cost of the original project or program to the current fair market value of the equipment. If the recipient has no need for the equipment, the recipient shall request disposition instructions from the federal awarding agency. The federal agency shall issue instructions to the recipient no later than 120 calendar days after the recipient's request.

If so instructed or if no disposition instructions occur within 120 calendar days after the recipient's request, the recipient shall sell the equipment and reimburse the federal awarding agency an amount computed by applying the percentage of federal participation in the cost of the original project or program to the sales proceeds. However, the recipient may deduct and retain \$500 or 10 percent of the proceeds, whichever is less, from the federal share for the recipient's selling and handling expenses.

If instructed to ship the equipment elsewhere, the federal government will reimburse the recipient an amount computed by applying the percentage of the recipient's participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

If instructed to dispose of the equipment in another way, the federal awarding agency will reimburse recipient for such costs incurred in its disposition.

**.07 Criteria**

- [Code of Federal Regulations, Chapter 2, part 200](#)

530 MAJOR FEDERAL PROGRAMS

.01 In accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200), auditors shall use a risk-based approach to determine which federal programs are major programs. This approach shall include consideration of current or prior audit experience, oversight by federal agencies and pass-through entities, and the inherent risk of the federal program. The following steps summarize the process followed to identify major programs:

- 1) Programs are either “Type A” or “Type B.” Type A programs are those programs with federal expenditures in excess of \$750,000, or three percent of the auditee’s total federal awards expenditures when those total federal awards expenditures exceed \$25 million, but do not exceed \$100 million. See section .518 of Code of Federal Regulations, Chapter 2, Part 200, for the limits affecting those entities with total federal awards exceeding \$100 million. All federal programs not labeled Type A above are Type B.
- 2) Type A programs are reviewed to determine which are low-risk. A Type A program is considered low risk if it has been audited as a major program at least once during the two most recent audit periods and, in the most recent audit period, had no audit findings per the criteria in section .518 of Code of Federal Regulations, Chapter 2, Part 200. Auditors should apply professional judgment in determining whether a Type A program is low-risk.
- 3) Identify and select high-risk Type B programs based on the criteria in section .518 of Code of Federal Regulations, Chapter 2, Part 200, and the auditor professional judgment. Section .519 includes factors such as current and prior audit experience, oversight exercised by federal and pass-through agencies, and the inherent risk of the federal program. See section .518 of Code of Federal Regulations, Chapter 2, Part 200 for the limits affecting those entities with total federal awards greater than \$100 million. Type B programs over 25 percent of the respective Type A threshold require a risk assessment. The auditor is not required to identify more high-risk Type B programs than 25 percent of the number of low-risk Type A programs.
- 4) At a minimum, the following major programs shall be audited:
  - a. All Type A programs except those classified as low-risk in step 2 above.
  - b. All Type B programs identified as high risk.
  - c. For districts assessed at low risk, the total major programs selected based on the risk assessment must be at least 20 percent of the total federal awards



expended. For districts not considered low risk, the percentage coverage increases to 40 percent.

As such, auditors are required to determine auditee compliance with applicable requirements as stipulated in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200). Obtain additional federal program information from the Catalog of Federal Domestic Assistance at <http://www.cfda.gov/>.

During annual reviews, auditors are to refer directly to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200) for specific compliance tests and suggested audit procedures. Address questions regarding a compliance requirement, including changes in requirements, to the administering agency. Obtain requirements and suggested audit procedures for smaller grant programs not contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Code of Federal Regulations, Chapter 2, Part 200) from the administering agency.

# APPENDIX A

## Sample Financial Statement Note for Early Retirement Incentive Program

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### NOTE X – STRS Early Retirement Incentive Program

The District has adopted an early retirement incentive program pursuant to Education Code sections 22714 and 87488, whereby the service credit to eligible employees increases by two years (and age increases by two years). Eligible employees must have five or more years of service under the State Teachers’ Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District (retire during the window period in the formal action taken by the district’s governing board).

### Retiree Information

Position Vacated	Age	Service Credit	Retired Employee		Replacement Employee	
			Salary	Benefits	Salary	Benefits
Instructor	63	29	\$86,000	\$10,000	\$36,000	\$5,000
Instructor	68	26	84,000	10,000	0	0
Counselor	72	30	<u>75,000</u>	<u>12,000</u>	<u>29,000</u>	<u>4,500</u>
			\$245,000	\$32,000	\$65,000	\$9,500

### Additional Costs to Employer:

Because of this early retirement incentive program, the District has incurred (or expects to incur) \$205,000 in additional costs. The breakdown in additional costs is below:

Retirement Costs (including interest, if applicable)	\$175,000
Post-retirement Health and Benefit Costs	25,000
Administrative Costs	<u>5,000</u>
Total Additional Costs	<u>\$205,000</u>

# APPENDIX B

## Sample Schedule of Other Post-Employment Benefits Funding Progress

Sample Community College District  
Changes in Net OPEB liability  
Year ended June 30, 20XX

	<u>20X9</u>	<u>20X8</u>	<u>20X7</u>	<u>20X6</u>
<b>Total OPEB Liability</b>				
Service Cost	\$19,051	\$18,190	\$16,642	\$16,732
Interest	30,663	27,176	26,061	25,394
Changes of benefit terms	-	-	-	(36,889)
Differences between expected and actual experience	8,925	11,845	(18,490)	11,845
Changes of assumptions	-	-	(1,369)	-
Benefit payments	<u>(7,899)</u>	<u>(7,758)</u>	<u>(7,601)</u>	<u>(7,425)</u>
<b>Net change in total OPEB liability</b>	50,740	49,453	15,243	9,657
<b>Total OPEB liability – beginning</b>	432,472	383,019	367,776	358,119
<b>Total OPEB liability – ending (a)</b>	\$483,212	\$432,472	\$383,019	\$367,776
<b>Plan fiduciary net position</b>				
Contributions – employer	\$22,424	\$25,255	\$28,260	\$24,737
Net investment income	44,215	28,698	32,698	25,691
Benefits payments	(7,899)	(7,758)	(7,601)	(7,425)
Administrative expense	<u>(148)</u>	<u>(144)</u>	<u>(137)</u>	<u>(128)</u>
<b>Net change in plan fiduciary net position</b>	58,592	46,051	53,220	42,875
<b>Plan fiduciary net position – beginning</b>	418,254	372,203	318,983	276,108
<b>Plan fiduciary net position – ending (b)</b>	<u>\$476,846</u>	<u>\$418,254</u>	<u>\$372,203</u>	<u>\$318,983</u>
<b>District’s net OPEB liability – ending (a) – (b)</b>	\$6,366	\$14,218	\$10,816	\$48,793
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	98.68%	96.71%	97.18%	86.73%
<b>Covered-employee payroll</b>	\$535,043	\$524,209	\$511,884	\$510,760
<b>District’s net OPEB liability as a percentage of covered- Employee payroll</b>	1.19%	2.71%	2.11%	9.55%

# APPENDIX C

## Sample Community College District Organization

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**June 30, 20xx**

Sample Community College District established on July 1, 1963, and covers an area of approximately 12 square miles located in Sacramento County. There were no changes in the boundaries of the District during the current year.

### GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mr. David Johnson	President	April 20xx
Mr. Norman Richards	Secretary	April 20xx
Mrs. Jan McDonald	Member	April 20xx
Mr. James Wilde	Member	April 20xx
Mrs. Louise Hanson	Member	April 20xx

### ADMINISTRATION

Dr. Georgia Scott  
Superintendent

Mr. Thomas Sharp  
Assistant Superintendent

Mrs. Mildred Coleman  
Assistant Superintendent

# APPENDIX D

## Sample Community College District Schedule of Expenditures of Federal Awards

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**For the year ended June 30, 20xx**

Federal Grantor/ Pass-Through Entity Program or Cluster Title	Subrecipient Award Amount	Federal CFDA Number	Pass- Through Entity Identifying Number	Total Federal
<b>U.S. Department of Education</b>				
Financial Aid Cluster:				
College Work Study		84.033		\$xxx,xxx
Subrecipient X	\$xxx,xxx			
Subrecipient Y	xxx,xxx			
Perkins Loan		84.038		xxx,xxx
Subrecipient X	xxx,xxx			
Subrecipient Y	xxx,xxx			
Pell Grant		84.063		xxx,xxx
Subrecipient X	xxx,xxx			
Subrecipient Y	xxx,xxx			
Adult Basic Education (ABE)				
Adult Basic Education		84.002		xxx,xxx
Subrecipient X	xxx,xxx			
Subrecipient Y	xxx,xxx			
ABE – Citizenship		84.002		xxx,xxx
Subrecipient X	xxx,xxx			
Subrecipient Y	xxx,xxx			
ABE – ESL		84.002		xxx,xxx
Subrecipient X	xxx,xxx			
Subrecipient Y	xxx,xxx			
Upward Bound				
Subrecipient X	xxx,xxx			
Subrecipient Y	xxx,xxx			
		84.047		xxx,xxx
		84.044		xxx,xxx
Talent Search II				
Subrecipient X	xxx,xxx			
Subrecipient Y	xxx,xxx			
		84.042		xxx,xxx

<b>Student Support Services</b>			
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		
		84.031	xxx,xxx
<b>Title III - Strengthening Institutions</b>			
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		
<b>Pass through California Department of Education (CDE):</b>			
Vocational And Technical Education Act (VTEA)			
Tech Prep VTEA, Education			
		84.048	xxx,xxx
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		
Title I-C VTEA			
		84.048	xxx,xxx
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		
<b>U.S. Department of Health and Human Services</b>			
Passed through CDE:			
Temporary Assistance to Needy Families (TANF)			
		93.558	xxx,xxx
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		
<b>Department of Labor</b>			
WIA Assessment			
			xxx,xxx
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		
<b>Department of Agriculture</b>			
FC Childcare Food Program			
			xxx,xxx
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		
<b>Total federal awards expended for loan or loan guarantee programs</b>			
			xxx,xxx
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		
<b>Noncash value of Value of federal awards expended</b>			
			xxx,xxx
Subrecipient X	xxx,xxx		
Subrecipient Y	xxx,xxx		

# APPENDIX E

## Sample Community College District Schedule of State Financial Award

For the year ended June 30, 20xx

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
<b>State Awards</b>					
California College Promise Program	\$xxx,xxx	\$xx,xxx	\$x,xxx	\$xxx,xxx	\$xxx,xxx
Disabled Student Program & Services	xxx,xxx	xx,xxx	x,xxx	xxx,xxx	xxx,xxx
Extended Opportunity Program & Services					
CalWORKS					
Care Program					
Child Development Center					
Equal Employment Opportunity					
Guided Pathways					
Block Grant					
Instructional Equipment – Block Grant					
Multimedia					
State Block Grant FY xx					
Student Equity and Achievement Program					
Student Success Completion Grant					
Teacher & Reading Development Partnership					
Temporary Assistance to Needy Family (TANF)					
Telecommunication Technology					
Infrastructure Program (TTIP)					
Scheduled Maintenance					
General Childcare Grant					
Staff Development					
<b>Total State Programs</b>					

# APPENDIX F

## Sample Community College District Schedule of Workload Measures for State General Apportionment

<b>Annual (Actual) Attendance as of June 30, 20xx</b>		
Categories	Audit Reported Data Adjustments	Revised Data
A. Summer Intersession (Summer 20xx only)		
1. Noncredit <sup>1</sup>		
2. Credit		
B. Summer Intersession (Summer 20xx – Prior to July 1, 20xx)		
1. Noncredit <sup>1</sup>		
2. Credit		
C. Primary Terms (Exclusive of Summer Intersession)		
1. Census Procedure Courses		
(a) Weekly Census Contact Hours		
(b) Daily Census Contact Hours		
2. Actual Hours of Attendance Procedure Courses		
(a) Noncredit <sup>1</sup>		
(b) Credit		
3. Independent Study/Work Experience		
(a) Weekly Census Contact Hours		
(b) Daily Census Contact Hours		
(c) Noncredit Independent Study/Distance Education Courses		
D. Total FTES		
Supplemental Information (subset of above information)		
E. In-Service Training Courses (FTES)		
F. Basic Skills courses and Immigrant Education		
(a) Noncredit <sup>1</sup>		
(b) Credit		
CDCP Noncredit FTES		
Centers FTES		
(a) Noncredit <sup>1</sup>		
(b) Credit		

<sup>1</sup> Including Career Development and College Preparation (CDCP) FTES



# APPENDIX G

## Sample Community College District Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

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**For the fiscal year ended June 30, 20xx**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund
June 30, 20xx, Annual Financial and Budget Report (Form CCFS-311) Fund Balances				
Adjustments and Reclassifications increasing (decreasing) fund balance: Prior Year Post Closing Entries Post-Closing Entries Under (Over) Statement of Accounts Receivable (Under) Over Statement of Accounts Payable (Under) Over Statement of Deferred Revenue (Under) Statement of Accrued Vacation Reclassification of interfund operating transfers Other				
Net Adjustments and Reclassifications				
June 30, 20xx Audited Financial Statements Fund Balance				

# APPENDIX H

## Sample Community College District

### Reconciliation of ECS 84362 (50 Percent Law) Calculation

For the year ended June 30, 20xx

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>Academic Salaries</b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100						
Other	1300						
<b>Total Instructional Salaries</b>							
<b>Non-Instructional Salaries</b>							
Contract or Regular	1200						
Other	1400						
<b>Total Non-Instructional Salaries</b>							
<b>Total Academic Salaries</b>							
<b>Classified Salaries</b>							
<b>Non-Instructional Salaries</b>							
Regular Status	2100						
Other	2300						
<b>Total Non-Instructional Salaries</b>							
<b>Instructional Aides</b>							
Regular Status	2200						
Other	2400						
<b>Total Instructional Aides</b>							
<b>Total Classified Salaries</b>							
<b>Employee Benefits</b>	3000						
<b>Supplies and Materials</b>	4000						
<b>Other Operating Expenses</b>	5000						

<b>Equipment Replacement</b>	6420						
<b>Total Expenditures Prior to Exclusions</b>							

	<b>Object/TOP Codes</b>	<b>Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 &amp; AC 6110</b>			<b>Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799</b>		
		<b>Reported Data</b>	<b>Audit Adjustments</b>	<b>Revised Data</b>	<b>Reported Data</b>	<b>Audit Adjustments</b>	<b>Revised Data</b>
<b>Exclusions</b>							
<b>Activities to Exclude</b>							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900						
Student Health Services Above Amount Collected	6441						
Student Transportation	6491						
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740						
<b>Objects to Exclude</b>							
Rents and Leases	5060						
Lottery Expenditures							
Academic Salaries	1000						
Classified Salaries	2000						
Employee Benefits	3000						
Supplies and Materials	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300						
Noninstructional, Supplies & Materials	4400						
Total Supplies and Materials							
Other Operating Expenses and Services	5000						
Capital Outlay	6000						
Library Books	6300						
Equipment	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay							
Other Outgo	7000						

<b>Total Exclusions</b>							
<b>Total for ECS 84362, 50% Law</b>							
<b>Percent of CEE (Instructional Salary Cost / Total CEE)</b>							
<b>50% of Current Expense of Education</b>							



# APPENDIX J

## Sample Notes to Supplemental Information

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For the year ended June 30, 20xx

### **PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is in accordance with requirements of the Code of Federal Regulations, Chapter 2, Part 200. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The loan or loan guarantee outstanding balance at the end of the audit period is \$xxx,xxx. The district did (or did not) elect to use the 10 percent de minimis indirect cost rate.

#### **Schedule of State Financial Awards**

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Present the information in this schedule to comply with reporting requirements of the California Community College Chancellor's Office.

#### **Schedule of Workload Measures for State General Apportionment**

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

#### **Reconciliation of ECS 843632 (50 Percent Law Calculation)**

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

#### **Reconciliation of CCFS-311 to audited financial statements**

This schedule reports differences between audited fund balances and those reported on the Annual Financial and Budget Report (Form CCFS-311).

#### **Education Protection Account (EPA) Funds Report**

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

**Reconciliation of governmental funds to the statement of net position.**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

# APPENDIX K

## Sample Schedule of Findings and Questioned Costs

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**For the Year Ended June 30, 20xx**

(See 20xx AICPA Government Audit Guide)

### Summary of Auditors' Results

#### Financial Statements

Type of opinion on financial statements: \_\_\_\_\_  
Internal control over financial reporting: \_\_\_\_\_  
Material Weakness Identified? \_\_\_\_\_  
Significant deficiency identified but not considered material weaknesses? \_\_\_\_\_  
Noncompliance material to financial statements noted? \_\_\_\_\_

#### Federal Awards

Internal control over major programs:  
Material weakness identified? \_\_\_\_\_  
Significant deficiency identified but not considered material weaknesses? \_\_\_\_\_  
Type of opinion issued on compliance for major programs: \_\_\_\_\_  
Any audit findings disclosed that are required to be reported in accordance With Code of Federal Regulations, Chapter 2, Part 200, section .510(a)? \_\_\_\_\_

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs: \_\_\_\_\_  
Auditee qualified as low-risk auditee? \_\_\_\_\_

#### State Awards

Internal control over state programs:  
Material weakness identified? \_\_\_\_\_



Significant deficiencies identified but not considered material weaknesses?

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Type of opinion issued on compliance for state programs:

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**Financial Statement Findings for the Year Ended June 30, 20xx**

The following represent **significant deficiency** related to the financial statements that are in accordance with generally accepted government audit standards. [Insert each finding in the section below with its appropriate number.]

20xx -1 Finding

[Insert Finding]

Recommendation

[Insert Recommendation]

District Response

[Insert the District's Response]

**Federal Award Findings and Questioned Costs for the Year Ending 20xx**

[Insert criteria, condition, questioned costs, context, effect, cause, recommendation, and views of responsible official and corrective actions.]

**State Award Findings and Questioned Costs for the Year Ending 20xx**

[Insert criteria, condition, questioned expenditures, FTES, or Students Served, context, effect, cause, recommendation, views of responsible official and corrective actions as referenced in section 280 – Audit Findings]

# APPENDIX L

## Sample Summary Schedule of Prior Audit Findings

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**June 30, 20xx**

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

Finding Reference Number <sup>2</sup>	Recommendation	Current Status	Explanation if Not Fully Implemented
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<sup>2</sup> Use the identification number referenced by the California Community Colleges in their follow-up activities.