



AUDIT PROCESS

Vice President of Administrative Services

FY20/21

July 22, 2020

AUDITORS BRING PERSPECTIVE



GAVILAN
COLLEGE

1919  2019

If you see a beach, the ocean sky and stars, you either have the mind of an artist or you need a vacation...



It is actually the bottom of a car door that needs fixing!



California Community Colleges



GAVILAN
COLLEGE

1919  2019

CONTRACTED DISTRICT AUDIT MANUAL

California Community Colleges
Chancellor's Office

2019-20

v.01.31.2020

- <https://www.cccco.edu/-/media/CCCCO-Website/College-Finance-and-Facilities/Manuals/California-Community-College-Contracted-District-Audit-Manual.pdf>

Discussion Points

1. Statutory Authority
2. Timeline & Distribution
3. Audit Report Structure
4. Audit Requirements
 - Federal Requirements
 - State Requirements
5. Compliance
6. Standards
7. Examples



Statutory Authority



GAVILAN
COLLEGE

1919  2019

- 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.

TIMELINE

<u>Month</u>	<u>Activity</u>
February - April	Tentative Budget Development Begins
May	Governor's May Revise
May	Board Approval of new Audit Firm
May	Introduction/Planning Meeting with new Audit Firm
June	Pass Tentative Budget
June	State of California Budget Adoption
June	Work with Audit team on list of items needed for Interim Audit - Including previous year items to establish a base
July	New Fiscal Begins; Prior Year-End Close Begins
July	Post Tentative Budget to Financial System - Open New Year
July	Begin Year End processes in Business Office - Final AP Processing, Reconciliations
July	Audit Team begins review of items requested and sends follow-up requests to district team
August	Work on Final Processes for Year-End Closing
September	Finalize Standard Audit Schedules & State Fiscal Reporting
September	Approve Adopted Budget
September	Send Auditor's Final Trial Balance
October	Auditor's will begin to compile items needed for Final Audit
November - December	Upload Items for Auditor's
January	Audit Team reviews final audit items requested and will send follow-up requests to district team
February	Final Audit Report sent to Board for Approval
February	Final Audit Report due to State



GAVILAN
COLLEGE

1919  2019

ANNUAL AUDIT REPORTS DUE:

- 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* (now Feb 28) following the end of the audited fiscal year.
- 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.
- 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.



GAVILAN
COLLEGE

1919  2019

DISTRIBUTION OF ANNUAL REPORT

- Chancellor's Office
- California Department of Education
- The State Controller's Office
- California Department of Social Services
- Accrediting Commission for Community and Junior Colleges
- Federal Audit Clearinghouse
- U.S. Department of Education



Audit Report Structure

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 –include a list of auxiliary organizations in good standing on the District Organization page including name, date of establishment, date of current master agreement with district, and name of director.
- 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



GAVILAN
COLLEGE

1919  2019

AUDIT REQUIREMENTS

- STATE REQUIREMENTS
- FEDERAL REQUIREMENTS



GENERAL AUDIT REQUIREMENTS

- The auditing requirements [...on...] 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.



GAVILAN
COLLEGE

1919  2019

State Compliance Topics

- SCFF DATA MANAGEMENT CONTROL ENVIRONMENT
- SALARIES OF CLASSROOM INSTRUCTORS (50 PERCENT LAW)
- APPORTIONMENT FOR ACTIVITIES FUNDED FROM OTHER SOURCES
- STUDENT CENTERED FUNDING FORMULA BASE ALLOCATION: FTES
- RESIDENCY DETERMINATION FOR CREDIT COURSES
- STUDENTS ACTIVELY ENROLLED
- DUAL ENROLLMENT (CCAP and Non-CCAP)
- SCHEDULED MAINTENANCE PROGRAM
- GANN LIMIT CALCULATION
- OPEN ENROLLMENT
- PROPOSITION 39 CLEAN ENERGY FUND
- APPRENTICESHIP RELATED and SUPPLEMENTAL INSTRUCTION (RSI) FUNDS
- DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)
- TO BE ARRANGED HOURS (TBA)
- PROPOSITIONS 1D and 51 STATE BOND FUNDED PROJECTS
- EDUCATION PROTECTION ACCOUNT FUNDS



GAVILAN
COLLEGE

1919  2019

State Compliance Requirements



GAVILAN
COLLEGE

1919  2019

- 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.
- 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.

State Compliance Requirements (cont)



GAVILAN
COLLEGE

1919  2019

- 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.
- 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 19 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.
- 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.
- 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)".



GAVILAN
COLLEGE

1919  2019

Federal Compliance Requirements

- 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.

AUDIT SCOPE

- 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 10 funds under the control or jurisdiction of the district to obtain reasonable assurance about whether the financial statements are free of material misstatement.
- 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.
- Each audit will also include an examination for compliance with laws, rules, and regulations as described later in this section.
- 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.



GAVILAN
COLLEGE

1919  2019

AUDIT STANDARDS

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

1. Government Auditing Standards, U.S. Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS), commonly known as the "Yellow Book"
2. Electronic Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
3. AICPA Generally Accepted Audit Standards and Audit and Accounting Guides
4. Governmental Accounting Standards Board Pronouncements and Implementation Guides
5. Catalog of Federal Domestic Assistance, U.S. General Services Administration
6. Governmental Accounting, Auditing, and Financial Reporting, Government Finance Officers Association
7. CDAM issued by the Chancellor's Office



GAVILAN

COLLEGE

1919  2019

Example of Auditor's Request – FY20



Listing of all students who were awarded and disbursed federal financial aid for FY19/20. At a minimum the listing should identify student name, student ID, and name of the award.

Listing of all Return to Title IV (R2T4) calculations performed in FY19/20. Please include all calculations regardless if funds were ultimately owed back to the Feds or not.

Example of Findings at Gavilan – FY19



GAVILAN
COLLEGE

1919 2019

SECTION IV – STATE COMPLIANCE

2019-001 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – WEEKLY ATTENDANCE

Criteria:

According to the audit, the reported figures were 10 times the number of actual attendees.

Condition:

We noted that the reported figures were 10 times the number of actual attendees.

Context:

Out of 25 contact hours, only 2.5 hours of proper reporting were noted.

Effect:

The difference between the reported and recalculated FTES for courses noted.

Gilroy Campus:

- Credit courses, residents – 0.090 FTES (overreported)
- Credit courses, nonresidents – 0.000 FTES

Questioned Costs:

The total overreported weekly attendance census FTES for residents in credit courses identified above is 0.090 FTES, which based on the District's funding per credit FTES, is equal to \$335.43. The total FTES sample is 60.26 FTES; therefore, 0.15% of the sample was calculated to have an actual overreporting misstatement. With the total population of weekly FTES of 2,476.27 and \$3,727 total credit per FTES, the extrapolation of the error in the audit results in projection of approximately 3.699 overstated FTES which is equal to \$13,784.59.

The Recal Apportionment Attendance Report (CCFS-320) does include an adjustment for the effect of this finding.

http://www.gavilan.edu/administration/budget/docs/GJCCD_2019_FinalAuditReport.pdf

Example of Auditor's Recommendations & District's Response



Recommendation:

We recommend that the District remind instructors about the required methods to calculate contact hours for courses using weekly attendance procedures. Additionally, we recommend that an internal review be performed of weekly classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate.

District's Corrective Action Plan:

The District has undergone staffing changes and all new staff responsible for the input of the schedule have received training provided by the Strata Information Group (SIG). The training included a review of the CCCCCO requirements in the Student Attendance Accounting Manual (SAAM for the correct input of hours and time blocks required for weekly student contact hour courses. The Deans and District leaderships will conduct regular audits of all weekly courses to ensure contact hours and section information are compliant with the guidelines in the Student Attendance Accounting Manual.

Questions?



GAVILAN
COLLEGE

1919  2019