SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS
Type of auditor's report issued: Unmodified
Internal control over financial reporting:
  Material weaknesses identified? Yes
  Significant deficiencies identified? Yes
  Noncompliance material to financial statements noted? Yes

FEDERAL AWARDS
Internal control over major Federal programs:
  Material weaknesses identified? Yes
  Significant deficiencies identified? None reported
Type of auditor's report issued on compliance for major Federal programs:
  Unmodified

Any audit findings disclosed that are required to be reported in accordance with
Section .510(a) of OMB Circular A-133? No
Identification of major Federal programs:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
</table>
| 84.007, 84.033, 84.063, 84.268 | Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $300,000
Audittee qualified as low-risk auditee? No

STATE AWARDS
Type of auditor's report issued on compliance for State programs: Qualified

Unmodified for all State programs except for the following State programs which were qualified:

<table>
<thead>
<tr>
<th>Name of State Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>421 Salaries of Classroom Instructors (50% Law)</td>
</tr>
<tr>
<td>424 State General Apportionment System</td>
</tr>
<tr>
<td>431 Gann Limit Calculation</td>
</tr>
</tbody>
</table>
The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

2015-001 Finding – Year End Closing
Material Weakness

Criteria or Specific Requirement
Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting to prepare timely, accurate financial reports.

Condition
The year end closing process was not comprehensive and did not ensure that account balances were reconciled and correct. The Annual Financial and Budget Report (CCFS-311) financial statements were prepared from data that was not complete. The trial balance and CCFS-311 were incomplete and/or contained the following errors:

- Accounts receivables and deferred revenues related to federal and state grants appear to be overstated by approximately $700,000. In addition, two grants that were partially federally funded were listed as state funded on the schedules of grant assistance.
- Other accounts receivables appear to be understated by $200,000.
- Student receivables appear to be overstated by approximately $1.5 million as the allowance for uncollectible student accounts was not updated at year end.
- Cash and revenues appear to be understated by $3 million for a grant receipt that was not recorded until after the year end.
- Interfund transactions did not balance between funds. A due from was recorded in the General Unrestricted Fund for $825,116, however, the corresponding due to from the self insurance fund was not recorded.
- The inventory amount of $35,275 has not changed from the prior year.
- The schedule of federal and state awards, capital asset analysis, and compensated absence information was not available until December 2015, which was after the completion of the unaudited trial balance and the Form 311.

Questioned Costs
None.

Context
Various financial statement elements were not accurately stated. Student receivables from past terms totaled approximately $4.6 million at June 30, 2015, an allowance on this amount was recorded for $1 million. However, using the District methodology for assessing uncollectible amounts, the allowance should have been $2.5 million. Cash and cash equivalents totaled $121 million at the year end and was understated by $3 million. Federal and state grants account for approximately $50 million of annual revenues and expenditures, while capital assets total approximately $400 million.

Effect
Reconciliations and adjustments to year end balances that either are not recorded or are posted after the preparation of fiscal year end reports decrease the relevance and usefulness of the reports.
Cause
The District's closing process did not operate effectively to ensure that all transactions were recorded timely and accurately.

Recommendation
The District should ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information.

Management's Response and Corrective Action Plan
As of December 2015 the District is in the process filling a significant number of vacant positions within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.

2015-002 Finding – Capital Assets

Material Weakness

Criteria or Specific Requirement
Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to track and record the original cost of capital assets and to calculate depreciation on certain of those capital assets.

Condition
Capital asset schedules include cost information and accumulated depreciation information from 2001 and prior that is potentially inaccurate and appears unusual as it subtracts, instead of adds transactions, from the prior years. The net negative amount including buildings, leasehold improvements and related accumulated depreciation, the unexplained negative amounts net to approximately $5.5 million. We also noted that no disposals of equipment or vehicles were removed from the records during the 2014-15 fiscal year.

Questioned Costs
None.

Context
The original cost of capital assets recorded was approximately $700 million.

Effect
Detail capital asset schedules appear potentially inaccurate.

Cause
Detailed historical records of information prior to 2001 have not been maintained.
Recommendation
The District should review and update the historical capital asset and depreciation schedules to ensure that accurate, timely information is reported to users of the financial information. That process may need to be completed through use of a survey of buildings and equipment, and an assessment of the associated estimated historical cost, such as would have been completed approximately 15 years ago when implementing GASB 34/35.

Management's Response and Corrective Action Plan
As of December 2015 the District is in the process of filling a significant number of vacant positions within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling capital asset accounts, including the calculation of depreciation. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.
2015-003 Finding Preparation of Schedule of Federal Awards

Material Weakness – Internal Control Over Compliance

Criteria or Specific Requirement
OMB Circular A-133, Section 310 (b) requires recipients of federal funds to prepare an accurate schedule of expenditures of federal awards for the period covered by the financial statements being audited. The schedule of expenditures of federal awards should include:

1) A list of federal programs, identified by federal agency.
2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity.
3) Total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4) Include notes that describe the accounting policies used in preparing the schedule.
5) Pass-through entities should identify in the schedule.
6) The value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end.

Condition
Accounts receivables and deferred revenues related to federal and state grants appears to be overstated by approximately $700,000. In addition, two grants that were partially federally funded were listed as state funded on the schedules of grant assistance.

Questioned Costs
None.

Context
The District federal grant expenditures are approximately $50 million per year.

Effect
The District did not accurately report its federal and state grant activity.

Cause
Lack of training and oversight of federal and state grant activity.

Recommendation
The District should develop and implement procedures to ensure that the Schedule of Federal Awards and the Schedule of State Awards are properly and accurately completed.

Management's Response and Corrective Action Plan
The District has begun to review and evaluate all processes and practices within its Business Office, including the development and compilation of its Schedule of Federal and State Awards. The District is in the process of providing training to grant accountants in order to ensure the business office staff is properly trained in the accounting and closure of grants during the fiscal yearend process. This training will encompass the Schedule of Federal and State Awards and how their individual responsibilities are necessary for the proper reporting of Federal and State grant revenues and expenditures.
The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2015-004 Finding - GANN Limit Calculation

Significant Deficiency – State Compliance

Criteria or Specific Requirement

Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, requires each community college to compute its annual appropriation limit.

Condition

The amount indicated as the Appropriation Limit in 2014-15 (Section I.A) was understated by $25,720,287. This caused the 2014-15 Limit Adjusted by Inflation and Population Factors (Section I.D) to be understated by $23,907,019. Additionally, Part II of the GANN Report which provides budget information was not completed.

Questioned Costs

None, due to the fact that the District is still within its appropriation limits.

Context

Article XIIIB of the State Constitution stipulates that each community college calculate the annual appropriation limit.

Effect

The District GANN Appropriation Limit was incorrectly calculated on the CCFS 311.

Cause

The prior year GANN limit was revised and the effect of the revisions was not rolled forward into the current year GANN limit form.

Recommendation

The Gann Limit calculation should be reviewed by someone other than the person preparing it. The reviewer should verify the data used in the calculation to supporting schedules and trace pertinent data from the final version of the prior year form to the current year form.

Management's Response and Corrective Action Plan

The District will conduct in-service training covering preparation of the GANN limit calculation for staff and management responsible for preparing and reviewing the GANN limit calculation.
Criteria or Specific Requirement
CCR, Title 5, Section 59204 indicates that salaries of classroom instructors means all salaries paid to classified district employees who are charging salaries to instructional codes be 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 employed to assist instructors in the performance of their duties, in the supervision of students, and in the performance of instructional tasks. An employee shall be deemed to be under the supervision of an instructor for purpose of Ed. Code Section 84362 if the employee performs duties under the general direction of an instructor.

Condition
One employee being charged to instructional account codes performed duties that did not appear to involve assisting instructors in the performance of their duties in the supervision of students and in the performance of instructional tasks. Additionally, the employee did not appear to be under the supervision of an instructor.

Questioned Costs
None, the District remains in compliance.

Context
The population of the employees in this situation was two. Both individuals' duties and reporting structure were reviewed and an adjustment proposed for both employees. As the entire population of this classification of employee was adjusted, no further extrapolation was considered necessary. The original CCFS-311 form reported instructional costs as $84,788,978 and CEE $169,609,557. The revised amounts were $84,618,755 and $169,609,557.

Effect
The 50% law calculation was not accurate, however it appears that the District continued to meet the minimum requirements after accounting for the revision.

Cause
Position classifications were incorrectly coded in the Banner system.

Recommendation
The District should perform an assessment to verify that classified employees who charge their salary to instructional accounts are performing duties as indicated in the education code, including verifying that they are under the supervision of an instructional staff.

Management's Response and Corrective Action Plan
District management is currently in the process of reviewing the position control system to ensure that all employees, both instructional and non-instructional, are coded correctly. As of December 2015 the District is in the process of filling a significant number of vacant positions within the Finance and Budget Offices. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate employee classifications are correctly coded and tracked.
Finding – State General Apportionment Funding System

Significant Deficiency – State Compliance

Criteria or Specific Requirement
CCR, title 5 Section 58003.1, indicates that student contact hours reported for each class should be the product of the number of students actively enrolled at census times the number of units of academic credit associated with the class plus laboratory hours that can be added per CCR, title 5 Section 58003.1.

Condition
Alternative education course FTES claimed for lab hours were not listed in the schedule or outline, or were not consistent with the information in the schedule and outline.

Questioned Costs
Actual - 1,330 contact hours or 2.5333 FTES, with a 2.14% error rate.
Extrapolated – 31,826 contact hours or 60.62 FTES.

Context
Three of forty Alternative Attendance Method Courses were noted as not being computed in accordance with Title 5 Regulations and the Student Attendance Accounting Manual.

Effect
Reported contact hours were overstated.

Cause
Two of the courses were noted in the schedule and course outlines as not having a lab component. However, the District claimed an additional contact hour as if these courses did have a lab component. One of the courses, appears to be a 3 unit course with 1 lab hour, but the District appears to have claimed the course with 2 lab hours.

Recommendation
Course set up should be reviewed by an individual other than the one doing the original entry to verify that contact hours are accurate and consistent with the schedule and outlines.

Management's Response and Corrective Action Plan
As of December 2015 the District is in the process filling a significant number of vacant positions within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling the state apportionment accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.
Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2014-001 Finding – Year End Closing

Material Weakness

Criteria or Specific Requirement
Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting to prepare timely, accurate financial reports.

Condition
The year end closing process was not comprehensive and did not ensure that account balances were reconciled and correct. The Annual Financial and Budget Report (CCFS-311) financial statements were prepared from data that was not complete. The trial balance and CCFS-311 were incomplete and/or contained the following errors:

- As of October 2014, county cash accounts were not reconciled past March 2014.
- Interfund transactions did not balance.
- The schedule of federal and state awards, capital asset analysis, and compensated absence information was not available until December 2014.
- Self insurance workers compensation claims liability amount was overstated by $1.1 million.
- The schedule of state awards included an understatement of receivables of approximately $200,000, unearned revenue of approximately $200,000, and omitted $25,000 payable to grantor.

Questioned Costs
None.

Context
County cash approximates $77 million at June 2014, and state grants account for approximately $12 million of annual expenditures.

Effect
Reconciliations and adjustments to year end balances occurring after the preparation of fiscal year end reports decrease the relevance and usefulness of the reports and delay the reporting process.

Cause
The District's did not operating effectively to ensure that all transactions were recorded timely and accurately.
Recommendation
The District should ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information.

Management's Response and Corrective Action Plan
As of December 2014 the District has filled a significant number of previously vacant positions within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.

Current Status
Partially implemented, See 2015-001.

2014-002 Finding – Capital Assets

Material Weakness

Criteria or Specific Requirement
Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to calculate depreciation of capital assets.

Condition
Depreciation expense was estimated based on prior year calculations due to the fact the current year schedules were not available in a timely manner.

Questioned Costs
None.

Context
Depreciable capital assets for buildings and equipment were approximately $650 million. No significant additions were added in 2013/2014. Depreciation in the prior year was calculated as approximately $38.5 million.

Effect
Accumulated depreciation on the Statement Net Position has been estimated by assuming one year of depreciation based on prior year calculations instead of current year calculations.

Cause
The District's did update depreciation schedules in a timely effective manner.

Recommendation
The District should complete capital asset and depreciation schedules during year end close processes to ensure that accurate, timely information is reported to users of the financial information.
Management's Response and Corrective Action Plan
As of December 2014 the District has filled a significant number of previously vacant positions within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling capital asset accounts, including the calculation of depreciation. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.

Current Status
Not implemented, See 2015-002.

2014-003 Finding Preparation of Schedule of Federal Awards
Material Weakness – Internal Control Over Compliance

Criteria or Specific Requirement
OMB Circular A-133, Section 310 (b) requires recipients of federal funds to prepare an accurate schedule of expenditures of federal awards for the period covered by the financial statements being audited. The schedule of expenditures of federal awards should include:
7) A list of federal programs, indentified by federal agency.
8) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity.
9) Total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
10) Include notes that describe the accounting policies used in preparing the schedule.
11) Pass-through entities should identify in the schedule.
12) The value of the Federal awards expended in the form on non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end

Condition
Federal awards accounts receivables appeared to be overstated by approximately $1 million, unearned revenue by approximately $100,000, and a misclassification of unearned revenue that should be reported as receivables due to debit balances of $54,000.

Questioned Costs
None.

Context
The District federal grant expenditures are approximately $40 million per year.

Effect
The District did not accurately report its federal grant activity.

Cause
Lack of training and oversight of federal grant activity.

Recommendation
The District should develop and implement procedures to ensure that the Schedule of Federal Awards is properly and accurately completed and reviewed by District staff prior to the start of the audit.
Management's Response and Corrective Action Plan
The District has begun to review and evaluate all processes and practices within its Business Office, including the development and compilation of its Schedule of Federal Awards. Even at the beginning of this evaluation it was evident that staff and management training was critically necessary. In response, all managers and staff are required to attend weekly training sessions covering targeted areas of responsibility. For example, on December 3, 2014 an outside Certified Public Accountant conducted a training focused on grant accounting, related fiscal year end closing procedures, and the preparation of the District’s Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards. These trainings will continue through fiscal year 2014-15 covering other focused topics.

Current Status
Not implemented, See 2015-003.

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2014-004 Finding - GANN Limit Calculation

Significant Deficiency – State Compliance

Criteria or Specific Requirement
Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, requires each community college to compute its annual appropriation limit.

Condition
The District included in the population factor P2 FTES for non-resident students. This results in the 2014-15 Gann limit, adjusted by inflation and population factors, being understated by $814,064. The population factor excluding non-resident students would be .7885 rather than the .7850 used in the calculation reported in the CCFS-311 report submitted to the State of California.

Questioned Costs
None, due to the fact that the District is still within its appropriation limits.

Context
Article XIIIB of the State Constitution stipulates that each community college calculate the annual appropriation limit.

Effect
The District GANN Appropriation Limit was incorrectly calculated on the CCFS 311.

Cause
The cause was due to the inclusion of nonresident FTES.

Recommendation
We recommend the District ensure that the form instructions are followed and nonresident FTES are excluded from the calculations.
Management's Response and Corrective Action Plan
The District will conduct in-service training covering preparation of the GANN limit calculation for staff and management responsible for preparing and reviewing the GANN limit calculation. The District revised the 2014 GANN limit computation and noticed it to the Board in December 2014.

Current Status
Implemented

2014-005 Finding – 50% Law Calculation
Significant Deficiency – State Compliance

Criteria or Specific Requirement
Education Code 84362 requires that a minimum of 50 percent of the District’s Current Expense of Education (CEE) be expended during each year for “Salaries of Classroom Instructors”.

Condition
The CCFS-311 form was completed prior to the District finalizing its year end closing numbers. Therefore, the 50% law calculation included in the CCFS-311 was not accurate.

Questioned Costs
None, the District remains in compliance

Context
The original CCFS-311 form reported instructional costs as $83,883,584 and CEE $166,360,547. The revised amounts were $81,858,577 and $154,558,231.

Effect
The 50% law calculation was not accurate, however the District continued to meet the minimum requirements after accounting for the revisions.

Cause
The CCFS-311 form was completed prior to the District finalizing its year end closing numbers.

Recommendation
The District should ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information.

Management's Response and Corrective Action Plan
As of December 2014 the District has filled a significant number of previously vacant positions within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.

Current Status
Implemented
Criteria or Specific Requirement
Education Code Section 76355 also requires boards to adopt rules and regulations that exempt certain students from the payment of health fees. Under subsection (c), districts must exempt students who depend on prayer for healing, and students attending community college under an approved apprenticeship program. Districts should also ensure that the existence of the two statutory exemptions is communicated effectively to the students so that they will be aware of potential applicable exemptions.

Condition
The procedures to apply for health fee exemptions are not clearly defined in the course catalog.

Questioned Costs
None

Context
Procedures to apply for health fee exemptions were included online and in course schedules, however they were not also included in the course catalog.

Effect
The District did not comply with the recommendation to publish procedures for health fee exemptions in the course catalog.

Cause
Procedures to apply for health fee exemptions were not clearly stated in the catalog.

Recommendation
We recommend that procedures notifying students of processes to request exclusion from health fees be included in the course catalog.

Management's Response and Corrective Action Plan
The District is in the process of developing and implementing Board Policies and Administrative Procedures for the entire operations of the District. This includes student fees and exemptions. In addition to creating and implementing an administrative procedures that includes providing students with a health fee exemption, the District will revise existing language contained within its course catalog referencing this administrative procedure and health fee exemptions available to students.

Current Status
Implemented.