

Table D
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed and identified relevant federal and state laws, rules, and regulations related to the 50 Percent Law.</p>
<p>2 Determine the extent to which community college districts complied with the 50 Percent Law for at least each of the past five years (up to 10 years to the extent feasible) and whether any state funding was improperly spent as a result of noncompliance.</p> <p>a. For a selection of 10 community college districts, review relevant calculations and accounting information to determine whether the districts accurately reported to the Chancellor’s Office their compliance with the 50 Percent Law.</p> <p>b. To the extent that districts reviewed in Objective 2(a) made material errors in their calculations of district compliance with the 50 Percent Law, recalculate the compliance percentage and determine the amount of money inappropriately spent by each district.</p> <p>c. Determine the causes of any noncompliance with the 50 Percent Law, including whether the noncompliance was due to the district misspending or misclassifying state allocations.</p>	<ul style="list-style-type: none"> • Analyzed annual financial reports submitted by the districts to the Chancellor’s Office from fiscal years 2018–19 through 2022–23 to determine districts’ compliance with the 50 Percent Law and identify noncompliant districts. • For each of the 10 districts we reviewed, obtained and confirmed the completeness of expenditure reports for the majority of accounting codes from which we selected for fiscal years 2018–19 through 2023–24. We were unable to verify the completeness of one accounting code. Nonetheless, we viewed these reports as sufficiently complete for our purposes. • For Merced, we could not verify the completeness of the population of transactions from which we selected items for testing; however, we nonetheless selected a sufficient number of items to perform our testing. • For each of the 10 districts, selected a total of 30 expenditures and evaluated supporting documentation to ensure that expenditures were properly coded into the accounting system and appropriately included or excluded from the 50 Percent Law calculation. • Reviewed CPA audits of the districts from fiscal years 2018–19 through 2022–23 to identify any substantive findings pertaining to the 50 Percent Law. Compared CPA findings to findings from our testing to determine if CPAs did not identify inaccurate compliance reporting. • For the districts with material errors in their calculations of compliance with the 50 Percent Law, recalculated the districts’ percentages to assess compliance with the 50 Percent Law. • Interviewed district staff to determine the causes for any findings related to our assessment of districts’ compliance.
<p>3 Evaluate the Chancellor’s Office’s exemption approval process, including whether the process includes a requirement to resolve the underlying condition used to justify the exemption. For a selection of exemptions the Chancellor’s Office approved over at least the past five years (up to ten years to the extent feasible), determine whether it adequately followed applicable law, policies, and procedures.</p>	<ul style="list-style-type: none"> • Reviewed and assessed the Chancellor’s Office policies and procedures regarding 50 Percent Law exemptions. • Evaluated every exemption request from fiscal years 2018–19 through 2022–23 for compliance with law, policies, and procedures.
<p>4 Determine whether the Chancellor’s Office implemented, and then continued to meet, the underlying purpose of the recommendations from the California State Auditor’s October 2000 report, and any steps taken by the Chancellor’s Office to ensure district compliance.</p>	<p>For each of the recommendations in our October 2020 Report 2000-103, <i>California Community Colleges: Poor Oversight by the Chancellor’s Office Allows Districts to Incorrectly Report Their Level of Spending on Instructor Salaries</i> determined whether the Chancellor’s Office is currently fulfilling those recommendations.</p>
<p>5 Evaluate the adequacy of the Chancellor’s Office’s oversight of district compliance with the 50 Percent Law. Specifically, determine whether the Chancellor’s Office provides sufficient training and guidance to the districts and whether it adequately holds districts accountable for compliance with the law. Identify the reasons for any inadequate oversight.</p>	<ul style="list-style-type: none"> • Determined whether the Chancellor’s Office provides guidance and routine training about 50 Percent Law compliance to districts. • Interviewed Chancellor’s Office staff about their oversight procedures related to district compliance with the 50 Percent Law. • Determined whether the Chancellor’s Office has created a mechanism to hold community-supported districts accountable for compliance with the 50 Percent Law.

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AUDIT OBJECTIVE	METHOD
<p>6 Determine whether any of the California Community Colleges Board of Governors regulations represent a barrier to achieving the Legislature's goals for reducing classroom size and increasing the effectiveness of classroom instruction.</p>	<ul style="list-style-type: none"> • Interviewed relevant staff from districts and the Chancellor's Office to identify regulations that might represent barriers and to gather perspective. • Reviewed relevant regulations to determine whether they may negatively impact classroom size or the effectiveness of classroom instruction, such as by requiring districts to spend unrestricted funds on expenses not included in <i>Instructor Salaries</i>.
<p>7 Determine the full-time equivalents, total compensation provided, and district operating budgets for administrative positions, including district management, executives, presidents, and superintendents for all districts for fiscal years 2012–13 through 2021–22. Report these amounts as totals and as ratios to comparable information for faculty, support staff, all staff and students.</p>	<p>Analyzed data from the Chancellor's Office to determine FTEs for administrators, faculty, support staff, and students and total salary amounts for administrators, faculty, and support staff.</p>
<p>8 To the extent possible, determine the reasons for any significant changes in the totals or ratios identified in Objective 7, including any changes in district costs to provide salaries and benefits for administrative positions.</p>	<p>Interviewed relevant staff and identified, obtained, and reviewed relevant supporting documentation to determine causes for any significant changes in the totals identified in our work related to Objective 7.</p>
<p>9 For significant increases in management or executive positions at a selection of districts, determine the extent to which a district's justification for those positions is warranted, including the following:</p> <ol style="list-style-type: none"> Whether districts can adequately demonstrate how the new positions contributed to improved student academic success. Whether districts can demonstrate that increased workload warranted the additional positions. To the extent possible, estimate any significantly increased costs for administrative support for newly created management positions. 	<ul style="list-style-type: none"> • Interviewed relevant staff and identified, obtained, and reviewed relevant supporting documents to determine whether districts identified how new administrative positions will contribute to improved student success based on the Chancellor's Office success metrics or were necessary because of increased administrative workload. • Absent direction in the accounting manual, we did not expect to find, nor did we find, consistent information from the districts tracking the increased costs for administrative support for newly created management positions.
<p>10 Review and assess any other issues that are significant to the audit.</p>	<ul style="list-style-type: none"> • Obtained and analyzed available financial documentation to determine the impact of support services, such as librarians and counselors, on compliance with the 50 Percent Law. • Obtained and analyzed available financial documentation to determine the impact of basic needs services funding on compliance with the 50 Percent Law.

Source: Audit workpapers.