



## AUDIT COMMITTEE AGENDA

**Facilitator:** Keith Curry

**Recorder:** Paula VanBrown

**Date:** June 7, 2021

**Time:** 9:30 a.m.

**Location:** Zoom Meeting

**Vision**

Compton College will be the leading institution of student learning and success in higher education.

**Mission Statement**

Compton College is a welcoming and inclusive community where diverse students are supported to pursue and attain student success. Compton College provides solutions to challenges, utilizes the latest techniques for preparing the workforce, and provides clear pathways for completion of programs of study, transition to a university, and securing living-wage employment

**Attendees**

- \_\_\_ Keith Curry
- \_\_\_ Gloria Hughes
- \_\_\_ Andree Valdry
- \_\_\_ Armando Ruiz

**AGENDA**

- 1. Review Minutes from May 3, 2021**
- 2. Compton Community College District’s Audit Finding 06-30-2020 and Action Plan**
- 3. Financial Aid Audit Findings**
- 4. 2021-2022 Meeting Dates**

**Next Scheduled Meeting: September 13, 2021, at 9:30 a.m.  
Zoom Meeting**



AUDIT COMMITTEE MEETING  
MINUTES



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**Date:** May 3, 2021

**Recorder:** Paula VanBrown  
**Location:** Zoom

**Vision**

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**Attendees:**

Keith Curry	Abdul Nasser
Gloria Hughes	Armando Ruiz
Dorrett Lambey	Andree Valdry

**MINUTES**

**1. Introductions**

**2. Role and Purpose of the Audit Committee**

Dr. Keith Curry gave a brief background of the Audit Committee. He reported that through FCMAT (Fiscal Crisis and Management Assistance Team) and the partnership with El Camino College, we were asked to hire an external auditor to work on the District’s audit findings. At that time, it did not seem financially feasible to hire another position, so we developed our own internal auditing process, which included an audit committee. Our goal for the audit committee was to be able to monitor the District’s audit findings and audit reports. This is our first meeting of the year because the audit report was just completed.

Dr. Curry reported there are only three members that serve on this committee. The purpose of the Audit Committee is to report the status of the previous district audit, the special audit, and internal audit recommendations.

**3. 2021-2022 Compton Community College District Audit Report**

Dr. Abdul Nasser reviewed the 2021-2022 Compton Community College District Audit Report. Dr. Nasser reported the District’s financial report is unmodified (clean audit report for the District). There were six audit findings – two are primarily financial in nature and four are regarding financial aid, which are outlined below:

- 1) Financial reporting. The format to be used is prescribed. The condition (finding), the auditors said there were adjustments in reclassifications during the audit and there were significant differences, so a number of audit adjustments had to be made. The reason for that is primarily because of the staff turnover. Within the auditor's report the District says what we're going to do to correct the situation. We identify that we have a closing process and because we had a significant turnover in staff, some of our closing processes were not quite followed. Another factor is, we transitioned from El Camino and combined, resulted in this finding. Now we have a new Director of

Accounting (Dorrett Lambey), and a Vice President Administrative Services (Dr. Abdul Nasser). With these measures we will be able to correct this condition.

- 2) Cash management was the second finding. When you deal with federal funds, you first expend the money, using District funds, and then you draw down the federal money. But in a couple of instances, we drew down the funds from the Federal Government before we spent the funds, which was identified as a finding. The District said this was done inadvertently by the financial assistance side and another was done because we were trying to pay the students out of the CARES Act funds as fast as we could, so we went ahead and drew down the funds. Now we have a process in place to make sure this doesn't occur again.

The next four findings are regarding Financial Aid.

- 1) Return to Title IV - we are required to return funds that were not used, and we did not do that. There was no documentation that showed the money was returned to Title IV. As the corrective action plan, we are updating the policy to improve the internal controls and make sure the funds are returned on a timely basis.
- 2) Enrollment Reporting: With enrollment reporting there is a requirement that we make sure our enrollment is reported correctly and we must review and update every enrollment status of the students. We did not report the student information to the system, so this is a finding. As a part of our corrective action plan, we are looking at our internal controls to make sure this is corrected.
- 3) Borrower Data and Reconciliation (Direct Loan). There are two basic systems, the student accounting statement and the common origination disbursement. We need to do a monthly reconciliation between these two systems but were not consistent in doing that. We are reviewing our processes to make sure we have processes in place to get this reconciliation done.
- 4) There is also a requirement that within 15 calendar days we need to submit student payment data to the Department of Education on any of the loans we do. We are going to review our processes and procedures to implement this and make sure we don't have the same findings.

Dr. Nasser said his plan is to put these into an Excel chart with the findings, what corrective action is going to be taken, and show who is going to be responsible to make sure the corrective action is in place. He said this will be presented to the Board and updated on a monthly basis. Dr. Nasser mentioned that all these findings were first-time findings, and we had no repeat findings.

#### **4. Next Steps**

Dr. Curry said the next steps will be for Business Services to create a chart of the findings and share it with the Board of Trustees. At the meeting in June 7, 2021, we can bring Financial Aid into the meeting, so they can provide an update of where they are on these steps for the audit. Dr. Curry asked that everyone read the audit before the next meeting.

#### **5. Future Agenda Items**

##### **A. Financial Aid Audit Findings Responses**

**The next Audit Committee meeting is scheduled for Monday, June 7, 2021  
at 9:30 a.m. via ZOOM**

Auditors' Finding	Recommendation	Corrective Action	Assigned Staff	Status
<b>2020 – 001 Financial Reporting</b>				
Adjustments and reclassifications were identified during the audit in order to conform to the BAM and GAAP during the District's year-end closing process.	The District should develop a closing procedure calendar at year-end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. A regular and timely reconciliation of all accounts should be performed with any inconsistencies reconciled and adjusted prior to year-end. Cash and ending fund balances should be monitored for negative balances.	<b>The District has since hired a Vice President of Administrative Services, and Director of Accounting to ensure the process is fully adhered to.</b>	Director of Accounting/Vice President of Administrative Services	
<b>2020 – 002 Cash Management</b>				
The District drew down the entire allocation of \$1,269,203 in funds available for the Higher Education Emergency Relief Funds - Student Aid Portion program on May 26, 2020. However, at June 30, 2020, the District had only spent \$643,252 of these federal funds. The District did not minimize the time between receipt and disbursement of these funds requested, and as a result, held excess cash of \$625,951 at June 30, 2020.	It is recommended that the District implement review process for all cash draw downs to ensure only funds needed for immediate disbursement are requested.	<b>Compton College has since recruited and trained staff to review and monitor the process before funds are drawn down after they are spent. Interest due will be repaid to the Department of Education. The District will implement a review process for all cash draw downs immediately to ensure only funds needed for immediate disbursement are requested.</b>	Director of Accounting/Vice President of Administrative Services	
<b>2020 – 003 Return to Title IV</b>				
There was no evidence that the District's portion of the Return to Title IV was returned.	It is recommended the District should establish effective controls to ensure the return of Title IV funds are properly calculated and returned.	<b>The District is in the process of updating the policy to improve its internal controls and ensure funds are returned on a timely basis. This draft policy will be completed and instituted with a three-month period and subsequent return of funds will be monitored on a quarterly basis.</b>	Director of Financial Aid/Vice President of Student Services	
<b>2020 – 004 Enrollment Reporting</b>				
During testing over the NSLDS reporting requirements, it was noted that the college did not report any student information to NSLDS in the 2019-2020 fiscal year. The SCHER1 Report indicated that there were no submissions in the 2019-2020 fiscal year. The first submission appears to be on July 6, 2020.	The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.	<b>The District is assessing its controls to implement a process that reviews, updates, and verifies information on students and program requirements. We have partnered with the Clearinghouse and set this file submission to be sent automatically on a schedule. Monitoring of this process will be conducted on a quarterly basis.</b>	Director of Financial Aid/Vice President of Student Services	
<b>2020 – 005 Borrower Data Reconciliation</b>				
During our review of the Direct Loans, it was noted that the District was unable to provide documentation to show that they were reconciling the institutional Direct Loan records with the School Account Statement (SAS) data file received by Common Origination and Disbursement (COD) on a monthly basis.	It is recommended that the District develop and implement policies and procedures to ensure that the institutional Direct Loan records are being reconciled with the School Account Statement (SAS) data file received by Common Origination and Disbursement (COD) on a monthly basis.	<b>The District is reviewing the current processes and procedures in place and will be taking the necessary steps to address this recommendation, including monthly reconciliation with our Student Enterprise Resource Planning (ERP) system.</b>	Director of Financial Aid/Vice President of Student Services	
<b>2020 – 006 Reporting</b>				
The process dates reported in the COD files were more than 15 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall and Spring semesters. Four students of the 40 students tested had transactions processed in excess of 15 days. Reporting days ranged from 29 to 197 days after disbursement.	It is recommended the District should establish effective controls and processes to ensure that reporting of student disbursement records is timely.	<b>The District is reviewing the current controls and processes in place and will be implementing changes to ensure reports are submitted in a timely manner. A responsible Financial Aid Department Staff member has been assigned to run the disbursement process which includes sending and receiving the Pell Origination File.</b>	Director of Financial Aid/Vice President of Student Services	

Reference	Finding # 1	Recommendation	Corrective Action Plans	Monitoring	Assigned Staff	Status
<b>Criteria or Specific Requirement</b>	<b>Financial Reporting:</b> The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges <i>Budget and Accounting Manual</i> (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).	The District should develop a closing procedure calendar at year-end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. A regular and timely reconciliation of all accounts should be performed with any inconsistencies reconciled and adjusted prior to year-end. Cash and ending fund balances should be monitored for negative balances.	The District currently has a process for closing the books at the end of the fiscal year to ensure all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. Due to senior management turnover in critical areas during the 2019-2020 year, the District was not able to completely implement our processes. The District has since hired a Vice President of Administrative Services, and Director of Accounting to ensure the process is fully adhered to.	1) Review the closing process of the District and update necessary changes. 2) Create a monitoring excel spreadsheet showing required year end procedures and responsible personnel. 3) Review spreadsheet every other day to ensure processes are completed. 4) Follow up with staff and obtain supporting information. 5) Review and approve all entries affecting the accounting process.	Director of Accounting/Vice President of Administrative Services	
<b>Condition</b>	<i>Material Weakness</i> - Adjustments and reclassifications were identified during the audit in order to conform to the BAM and GAAP during the District's year-end closing process. Corrections were made to the various accounts included below, but not limited to:		A regular and timely reconciliation of all accounts should be performed with any inconsistencies reconciled and adjusted prior to year-end.	1) This process will be implemented and reconciliations will be required on a monthly, and quarterly basis. As in no. 5 above, this will be monitored electronically.	Director of Accounting/Vice President of Administrative Services	
<b>2020-001</b>	Enrollment fee revenues were recorded on a cash basis during the year and were not adjusted to the modified accrual basis during the closing process. Adjustments were necessary for student receivables, unearned enrollment fee liabilities, and enrollment fee revenues. Adjustments were required for all three accounts.		Cash and ending fund balances will be monitored on a quarterly basis for negative balances.	1) Reconciliation of funds will be emphasized on a monthly basis. 2) Staff preparation of accounts reconciliation will be monitored monthly electronically.		
	The capital asset records of the District, reflective of 2019-20 activity, was not provided to the auditors until March 2021. Several initial reports provided were materially incorrect within the Construction in Progress account.			1) Capital assets records will be updated on a quarterly basis. 2) Quarterly calculation of depreciation and amortization will be performed and recorded on a quarterly basis. 3) Annual depreciation recorded will be eliminated due to the quarterly calculation and recording of information in the general ledger.		
	The accounts receivable balance required adjustment due to accrued amounts subsequently being received by the District, however the accruals were not cleared out of the receivable account and instead were recorded as revenue for a second time for these transactions.			1) Accounts receivable and other general ledger accounts will be monitored and reconciled on a monthly basis. 2) Monthly reconciliations and monitoring will prevent this from reoccurring.		
	The Student Financial Aid Fund had a negative fund balance as well as a negative Cash in County balance at June 30, 2020, representing an encroachment on the General Fund of the District.			1) Reconciliation of funds will be required on a monthly basis and monitored on a monthly basis electronically. 2) Monthly reconciliations and monitoring will prevent this from reoccurring.		
	In prior years, the District had recorded their annual payment with Ellucian as a prepaid expense, as the contract term extended over two fiscal years. In 2019-2020, the entire payment amount was recognized in the current year representing an overstatement of expenditures and an inconsistency in expense recognition.			1) Review the closing process of the District. 2) Monitoring excel spreadsheet showing required year end procedures are accomplished. 5) Review and approve all entries affecting the accounting process.		

Reference	Finding # 2	Recommendation	Corrective Action Plans	Monitoring	Assigned Staff	Status
<b>Criteria or Specific Requirement</b>	<p><b>Cash Management:</b> Uniform Guidance, 2 CFR 200.305: Federal Payment</p> <p>(b) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also §200.302(b)(6). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved, governmentwide information collection requests to request payment.</p>	It is recommended that the District implement review process for all cash draw downs to ensure only funds needed for immediate disbursement are requested.	The District inadvertently drew down funds prior to incurring expenses for the Student Financial Assistance Cluster. In addition, the District drew down funds prior to incurring expenses for the CARES Act Higher Education Emergency Relief Funds, Student Aid Portion. Compton College has since recruited and trained staff to review and monitor the process before funds are drawn down after they are spent. Interest due will be repaid to the Department of Education.	<p>1) Create a monitoring excel spreadsheet showing required year end procedures and responsible personnel.</p> <p>2) Review spreadsheet every other day to ensure processes are completed.</p> <p>3) Follow up with staff and obtain supporting information.</p> <p>4) Review documents to ensure drawdowns are in compliance with awards.</p>	Director of Accounting/Vice President of Administrative Services	
<b>2020-002</b>	(1) Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.		The District will implement a review process for all cash draw downs immediately to ensure only funds needed for immediate disbursement are requested.			
<b>Condition</b>	<p>Significant Deficiency and Non-compliance.</p> <p>The District drew down the entire allocation of \$1,269,203 in funds available for the Higher Education Emergency Relief Funds - Student Aid Portion program on May 26, 2020. However, at June 30, 2020, the District had only spent \$643,252 of these federal funds. The District did not minimize the time between receipt and disbursement of these funds requested, and as a result, held excess cash of \$625,951 at June 30, 2020.</p>					

Reference	Finding # 3	Recommendation	Corrective Action Plans	Monitoring	Assigned Staff	Status
<b>Criteria or Specific Requirement</b>  <b>2020-003</b>	<b>Special Tests and Provisions - Return to Title IV:</b> The institution must return the lesser of (1) the total amount of unearned Title IV assistance to be returned or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. If, for a non-term program an institution chooses to calculate the treatment of Title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, "total institutional charges incurred by the student for the payment period" is the greater of (1) the prorated amount of institutional charges for the longer period, or (2) the amount of Title IV assistance retained for institutional charges as of the student's withdrawal date (34 CFR 668.22(g)).	It is recommended the District should establish effective controls to ensure the return of Title IV funds are properly calculated and returned.	The District is in the process of updating the policy to improve its internal controls and ensure funds are returned on a timely basis. This draft policy will be completed and instituted with a three-month period and subsequent return of funds will be monitored on a quarterly basis.	1) Prepare a monthly monitoring spreadsheet on program requirements.  2) Perform monthly review of R2T4 reports. 3) Process and prepare check request for overpayment, by the end of the following week. 4) Submit to Business office for payment.	Director of Financial Aid/Vice President of Student Services	
<b>Condition</b>	<i>Significant Deficiency and Noncompliance</i> – There was no evidence that the District's portion of the Return to Title IV was returned.					

Reference	Finding # 4	Recommendation	Corrective Action Plans	Monitoring	Assigned Staff	Status
<b>Criteria or Specific Requirement</b>	Specia Tests and Provisions - Enrollment Reporting: OMB Compliance Supplement, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct and Federal family Education Loan (FFEL) loan programs via the National Student Loan Data System (NSLDS).	The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.	The District is assessing its controls to implement a process that reviews, updates, and verifies information on students and program requirements. We have partnered with the Clearinghouse and set this file submission to be sent automatically on a schedule. Monitoring of this process will be conducted on a quarterly basis.	1) Create a monitoring excel spreadsheet to ensure reports are submitted. 2) Prepare and submit reports monthly to meet the reporting requirements of 18 days after the end of the month. 3) Perform a reconciliation every two weeks the Pell Grant Program with Common Origination and Disbursements, (COD).	Director of Financial Aid/Vice President of Student Services	
<b>2020-004</b>	Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institution’s Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information; “Campus Level” and “Program Level,” both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.		Monitoring of this process will be conducted on a quarterly basis			
<b>Condition</b>	<i>Material Weakness and Noncompliance</i> – During testing over the NSLDS reporting requirements, it was noted that the college did not report any student information to NSLDS in the 2019-2020 fiscal year. The SCHER1 Report indicated that there were no submissions in the 2019-2020 fiscal year. The first submission appears to be on July 6, 2020. After further testing of specific students, the following were noted:					
	Student withdrawal effective dates per the college’s system does not match the withdrawal date reported to NSLDS for 48 of 60 students tested.					
	The student’s enrollment status per the college’s system does not match the status reported to NSLDS for 19 of 60 students tested.					
	Since the first reporting date was not until July, 6, 2020, the timeliness of reporting enrollment status was outside of the required 60 days on all 60 students tested.					
	The students’ program in the college’s system does not match the students’ program reported to NSLDS for three of 60 students tested. For two of these students, no enrollment records were reported to NSLDS.					
	The students’ program enrollment effective date in the college’s system does not match the students’ program enrollment effective date reported to NSLDS for six of 60 students tested.					
	one of 60 students tested was noted to have an undeclared major, but received Title IV funds in the 2019 - 2020 fiscal year.					



Reference	Finding # 5	Recommendation	Corrective Action Plans	Monitoring	Assigned Staff	Status
<b>Criteria or Specific Requirement</b>  <b>2020-005</b>	<p>According to 34 CFR 685.300(b)(5), the school must promise to comply with applicable regulations and must agree to reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary, on a monthly basis as required by 34 CFR 685.300 (b)(5).</p>	<p>It is recommended that the District develop and implement policies and procedures to ensure that the institutional Direct Loan records are being reconciled with the School Account Statement (SAS data file received by Common Origination and Disbursement (COD on a monthly basis.)</p>	<p>The District is reviewing the current processes and procedures in place and will be taking the necessary steps to address this recommendation, including monthly reconciliation with our Student Enterprise Resource Planning (ERP) system.</p>	<p>1) Create a monitoring excel spreadsheet to ensure reports are submitted. 2) Prepare and submit reports monthly to meet the reporting requirements of 45 days. 3) Perform a reconciliation every two weeks the Pell Grant Program with Common Origination and Disbursements, (COD).</p>	<p>Director of Financial Aid/Vice President of Student Services</p>	
<b>Condition</b>	<p><i>Material Weakness and Noncompliance</i> – During our review of the Direct Loans, it was noted that the District was unable to provide documentation to show that they were reconciling the institutional Direct Loan records with the School Account Statement (SAS) data file received by Common Origination and Disbursement (COD) on a monthly basis.</p>		<p>While the institutional Direct Loan records will be reconciled with the School Account Statement (SAS data file received by Common Origination and Disbursement (COD) on a monthly basis, the monitoring will be conducted on a quarterly basis to ensure compliance with the recommendation.</p>			

Reference	Finding # 6	Recommendation	Corrective Action Plans	Monitoring	Assigned Staff	Status
<b>Criteria or Specific Requirement</b>	Common Origination and Disbursement (COD) System (OMB No. 1845-0039) – All schools receiving	It is recommended the District should establish effective controls and processes to ensure that reporting of student disbursement records is timely.	The District is reviewing the current controls and processes in place and will be implementing changes to ensure reports are submitted in a timely manner. A responsible Financial Aid Department Staff member has been assigned to run the disbursement process which includes sending and receiving the Pell Origination File.	1) Create a monitoring excel spreadsheet to ensure reports are submitted. 2) Prepare and submit reports monthly to meet the reporting requirements of 45 days. 3) Perform a reconciliation every two weeks the Pell Grant Program with Common Origination and Disbursements, (COD).	Director of Financial Aid/Vice President of Student Services	
<b>2020-006</b>	Institutions submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. Institutions must report student payment data within 15 calendar days after school makes payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.					
<b>Condition</b>	Significant Deficiency and Noncompliance – The process dates reported in the COD files were more than 15 calendar days after the disbursement dates reported in the COD files in the District's financial records for the Fall and Spring semesters. Four students of the 40 students tested had transactions processed in excess of 15 days. Reporting days ranged from 29 to 197 days after disbursement.					