Budget and Finance Committee Meeting
December 3, 2014
Item "A"
KPMG Engagement Team

- Tracy Hensley – Engagement Partner
- Brianne Pierce – Engagement Senior Manager

Scope of Audit
- Financial Statements of the Los Angeles Community College District as of and for the years ended June 30, 2014 and 2013

Deliverables
- Independent Auditors' Report on Basic Financial Statements

Timing of Testwork and Reporting
- Planning Procedures completed week of September 2, 2014
- Fieldwork began on September 8, 2014
- Fieldwork expected completion is November 26, 2014
- Issue final reports on December 3, 2014

Results of Audits
- Basic Financial Statements—Unmodified Opinion
- Internal Control over Financial Reporting—Significant Deficiency—Access and segregation of duties over SAP applications

Areas of Audit Emphasis
- Proper Accounting and Disclosure under U.S. Generally Accepted Accounting Principles of:
  - Cash and Investments
  - Capital Assets
  - Revenue Recognition
  - Debt
  - Pension and Other Post Employment Benefit Obligations
Required Communications

- Our Responsibilities Under Generally Accepted Auditing Standards
- Accounting Practices, Alternative Treatments and non GAAP policies
- Management’s Judgments and Estimates
- No Disagreements with Management or Difficulties Encountered During the Audits
- No Knowledge of Management’s Consultation with Other Accountants
- No Significant Issues Discussed, or Subject to Correspondence, with Management, except for
  - Engagement Letter
  - Management Representation Letter
- Independence
- Uncorrected and Corrected Misstatements
  
  **Corrected**
  - Adjustment to record general liability obligations inline with the actuary report
  
  **Uncorrected**
  - Adjustment to record revenue when earned which occurred in the previous period.
  - Non GAAP Policies
    - Property tax accrual
    - Bond cost amortization
    - Federal Subsidy Revenue

New Accounting Standards

- GASB Statement No. 65, Items Previously Reported as Assets and Liabilities
  - Implemented by the District in FY 2014. Implementation required that all unamortized bond issuance cost be written off. This resulted in a restatement of net position of $22.4M, as of June 30, 2013
- GASB Statement No. 68, Accounting and Financial Reporting for Pensions
  - Will be implemented by the District in FY 2015. Requires the District to report its pension liability in the basic financial statements.
Single Audit and State Compliance Results

- **Focus on Compliance and Internal Controls**
  - Compliance with Federal and State Regulations and Grantor Terms and Conditions
  - Internal Controls to ensure compliance with Federal and State Regulations

- **Total Federal and State Expenditures**
  - Federal: $260 million
  - State: $17 million of State-funded programs audited plus the basis of State Apportionment amounting to $318 million.

- **Perspective**
  - **Federal:**
    - 2014 audit opinion was unmodified for all 4 federal awards audited. The 2013 audit opinion was also unmodified for all 8 federal awards audited.
    - No material weaknesses in internal controls over the administration of Federal awards were identified.
    - Both prior year findings were properly addressed this year.
    - There were 5 findings noted for this year and all were new, i.e., were not repeat findings. Two (2) findings were related to Workforce Investment Act (WIA) Cluster - Youth Worksource Center (WIA Youth Activities) and one (1) finding was related to Child Care and Adult Food Program. Both Federal programs were audited the first time this year. The other two (2) findings were related to Student Financial Aid Cluster and Temporary Assistance for Needy Families or (TANF), which were both audited in prior years.
  - **State:**
    - Of 7 prior year findings, 3 were implemented and 4 were not implemented. There were no new findings this year.
    - There were 4 compliance findings noted for this year.
  - **Notable Areas Of Improvement From Prior Year:**
    - Student Financial Aid (SFA) continues to have a low number of findings as compared to previous audits. There were also no findings on Return to Title IV which is an area where most findings have historically occurred.
Los Angeles Community College District
Presentation to the Finance and Audit Committee
December 3, 2014

- Dollars Associated with Findings - $67,000 in questioned costs (total District-wide operating expenses for 2014 - $1 billion, or less than 1/100ths of 1%). 70% of questioned costs pertains to missing course outlines of record for TBA courses and 22% pertains to incomplete attendance records supporting TBA courses. This level of questioned costs compares favorably to the prior year in which $217,000 of costs were questioned.

For findings related to State Compliance, we are required to extrapolate our findings relating to apportionment and eligibility for State-funded programs. Extrapolations pertaining to apportionment findings S-2014-01 and S-2014-02 equated to 48.97 FTEs of the 94,659.78 total credit FTEs funded. For State-funded programs, the extrapolation of findings pertaining to eligibility S-2014-03 and S-2014-04 equated to 373 ineligible students of 8,435 total students served in the campuses we tested.

- Major Federal Programs Tested
  - Student Financial Assistance Cluster
  - Child and Adult Care Food Program
  - Work Investment Act (WIA) Cluster
  - Temporary Assistance for Needy Families (TANF)

- Compliance Issues To Be Addressed

  Federal:
  - Student Financial Aid Cluster – Incomplete verification worksheet – New (F-2014-01)
  - Child and Adult Care Food Program - Missing participant application form – New (F-2014-02)
  - Temporary Assistance for Needy Families (TANF) – No documentation of the rationale for contract selection and the basis for not selecting the vendor with the lowest bid – New (F-2014-03)
  - Workforce Investment Act (WIA) Cluster - Youth Worksource Center (WIA Youth Activities) – Inadequate documentation on file to support eligibility of participants and adherence by participants to residency requirements – New (F-2014-04)
  - Workforce Investment Act (WIA) Cluster - Youth Worksource Center (WIA Youth Activities) – No monitoring procedures in place to ensure compliance with the 95% requirement to serve disadvantaged low income youth – New (F-2014-05)

  State:
  - Missing records
    - TBA Rosters – incomplete attendance forms – Recurring (S-2014-01)
    - TBA Courses – missing course outlines of record – Recurring (S-2014-02)
  - Inadequate documentation on file to support eligibility of EOPS/CARE program participants – Recurring (S-2014-03)
  - Inadequate documentation on file to support eligibility of DSPS student participants – Recurring (S-2014-04)
Los Angeles Community College District
Presentation to the Finance and Audit Committee
December 3, 2014

• Concluding Comments

This year’s audit results reflect the successful outcome of the District’s and the College’s efforts in a number of compliance areas such as maintaining documentation of teacher qualifications and conducting advisory meetings in the EOPS and CARE programs.

Also, the extent of noncompliance has declined for those requirements to maintain adequate documentation supporting TBA course attendance and eligibility for certain state-funded programs. The District has developed action plans to address these issues including revising and improving current procedures, defining responsibilities for monitoring attendance forms for TBA courses, reprogramming the Protocol system and reauthorizing the credit courses until all course data are reloaded in the new student information system. If implemented, we believe that these procedures can be effective.

There were also certain new issues relating to incomplete verification, maintaining adequate documentation for procurement transactions and eligibility, and inadequate monitoring of earmarking compliance requirements. Based on our discussions with the District and the campuses, additional procedures are being implemented within and among the departments to ensure that these compliance issues are addressed.
Budget and Finance Committee Meeting
December 3, 2014
Item “B”
Enrollment Update
Budget and Finance Committee
December 3, 2014

FTES Projections as of November 24, 2014

District Summary

As of November 24, 2014, projected 2014-15 FTES for the District is 105,845 or 1.4% above the 4.75% growth target of 104,424 FTES.

FTES projections were developed in consultation with individual colleges during quarterly budget review meetings. FTES estimates are based on both census data (for Summer and Fall 2014 full semester classes) and planned section offerings (Winter, Spring and first Summer 2015). Projections will be finalized with the colleges before submitting the First Period FTES (320) report by January 15, 2015.

College Projections

Projections indicate that all colleges will attain the 4.75% FTES target. Southwest’s target is 8% and projections indicate that it will attain this goal.

In addition, projections show that only City, Valley, and West will require use of any summer FTES to attain their annual targets, allowing for more flexibility in scheduling.

Los Angeles City College

City intends to meet target FTES. Current year credit and non-credit offerings will be monitored and adjusted to ensure that the target is met. Summer I 2015 FTES is needed to attain its target.

East Los Angeles College

East intends to exceed target FTES. Current year non-credit offerings will be adjusted and monitored. In-Service Training academies are expected to generate 2,400 FTES of the total 23,096 FTES currently projected for the college.
Los Angeles Harbor College

Harbor expects to exceed target FTES. It will not be offering Winter 2015 and will not need to use Summer I 2015 FTES.

Los Angeles Mission College

Mission expects to exceed target FTES. The college will not need to use Summer I 2015 FTES to do so.

Los Angeles Pierce College

Pierce expects to exceed target FTES. The college will not need to use Summer I 2015 FTES to do so.

Los Angeles Southwest College

Southwest has an 8% target of 5,429 FTES. It expects to attain this target without the use Summer I 2015 FTES.

Los Angeles Trade-Technical College

Trade-Tech expects to exceed target FTES, with a projection of 12,512 FTES. It will not need to utilize Summer I 2015 to achieve its target.

Los Angeles Valley College

Valley plans to exceed target FTES. Its projection is 13,404, which includes Summer I 2015 FTES. It is continuing its enrollment management practices of carefully monitoring average class size and scheduling to meet student needs.

West Los Angeles College

West expects to exceed target FTES, using Summer I 2015 FTES to do so.
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Notes:
1. Projections are based on actual and planned section offerings and enrollments and were developed in consultation with the colleges.
2. 88% target for Southwest.
Budget and Finance Committee Meeting
December 3, 2014
Item “C”
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<th>Scenario</th>
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Projected Ending Balance

Balances Carried Forward for 2013-14

Projected Expenditures

Projected Revenue

Projected Revenue

FY 2014-15

December 3, 2014

College Financial Update - 2014-15 First Quarter Projection