



LOS ANGELES COMMUNITY COLLEGE DISTRICT

Basic Financial Statements and Supplemental Information

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

June 30, 2019 and 2018

Los Angeles, California

- East Los Angeles College
- Los Angeles City College
- Los Angeles Harbor College
- Los Angeles Mission College
- Los Angeles Pierce College
- Los Angeles Southwest College
- Los Angeles Trade Technical College
- Los Angeles Valley College
- West Los Angeles College

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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INTRODUCTION



CITY
EAST
HARBOR
MISSION
PIERCE
SOUTHWEST
TRADE-TECH
VALLEY
WEST

December 4, 2019

The Members, Board of Trustees
Los Angeles Community College District

Dear Board of Trustees:

I have reviewed and am pleased to submit the Annual Financial Report of the Los Angeles Community College District (District) for the fiscal year ended June 30, 2019. This report is presented in six sections, which include an introduction, the Independent Auditors' Report, the Management's Discussion and Analysis, the Basic Financial Statements, the Supplemental Financial Information, and Other Supplemental Information as noted in the table of contents. The report includes all Funds of the Los Angeles Community College District as well as those of student organizations.

The introductory section contains my remarks to the Annual Financial Report and a brief summary of the District's employment and enrollment. The Independent Auditors' Report provides the auditors' opinion of the audit. The Management's Discussion and Analysis provides the management information and analysis on the District's financial changes and condition for the year. The basic financial statements include the three financial statements, as well as the notes to the basic financial statements. Supplementary information includes the combining and individual funds and account group financial statements and schedules, a description of the organization of the District, a schedule of full-time equivalent students and apprenticeship clock hours, and a reconciliation of the financial statements to the Annual Financial and Budget report submitted to the state of California. Also included in this section are the independent auditors' reports on the internal accounting and administrative controls of the District as well as the state and federal compliance required by the California State Department of Finance and the Single Audit Act of 1984. The final section provides the current year's audit findings and recommendations as well as the implementation status of the auditors' prior year recommendations.

The District is responsible for the accuracy, completeness, and fairness of the financial statements, including all disclosures. We believe that the data presented are accurate in all material respects and present fairly the financial activities of the District's various funds, and that the informative disclosures are sufficient to provide an understanding of the District's fiscal affairs. The auditors' opinion included in the annual report reflects our belief.

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The District and its nine campuses provide a broad range of educational services to students within the Los Angeles area. The nine Los Angeles community colleges comprise one of the nation’s largest community college systems—the result of a movement, which had its beginning in the California State Legislature in 1907, the year the Caminetti Bill was passed, permitting high schools to offer postgraduate courses. The Ballard Act of 1917 and the Deering Act of 1929 assured financial support for the state’s community colleges.

In March 1931, a separate Los Angeles Junior College District was created and granted a taxing power of its own and was designed to serve a larger area than the city. The Board of Education and the Superintendent of Los Angeles County Schools assumed administrative control of the District. Due to the dramatic expansion during the post-war period, the state’s two-year junior colleges were moved away from the secondary education system and into higher education. In 1967, Governor Reagan authorized establishment of a Board of Governors for the California Community Colleges. In that same year, legislation passed which provided for a separate community college Board of Trustees and administration. The first Trustees of the Los Angeles Community College District were sworn into office on July 1, 1969.

The Los Angeles Community College District serves approximately 226,650 students, employs approximately 3,902 full-time and 5,558 part-time personnel and covers a service area of more than 882 square miles.

Enrollment

The Los Angeles Community College District’s enrollment for the fiscal year ended June 30, 2019 increased by 0.64% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2018-19 fiscal years were as follows:

	<u>Fall</u>	<u>Spring</u>
East Los Angeles College	25,381	24,677
Los Angeles City College	15,401	14,217
Los Angeles Harbor College	9,150	8,485
Los Angeles Mission College	10,525	9,452
Los Angeles Pierce College	18,822	17,803
Los Angeles Southwest College	5,963	5,615
Los Angeles Trade–Technical College	13,635	12,322
Los Angeles Valley College	17,204	16,187
West Los Angeles College	12,480	11,800
Instructional Television	911	777
Total Districtwide	<u>129,472</u>	<u>121,335</u>

The Los Angeles Community College District's FTES (Full-time equivalent student) figures for the fiscal year ended June 30, 2019, the measure by which the state of California funds Community Colleges decreased by 1.85% from 99,993 in fiscal year 2018, to 98,139 in fiscal year 2019. Fiscal year 2019 enrollment by campus are as follows:

	<u>Credit</u>	<u>Noncredit</u>
East Los Angeles College	22,442	2,376
Los Angeles City College	9,680	1,151
Los Angeles Harbor College	5,599	88
Los Angeles Mission College	6,112	457
Los Angeles Pierce College	13,368	408
Los Angeles Southwest College	3,907	602
Los Angeles Trade-Technical College	10,526	778
Los Angeles Valley College	11,145	841
West Los Angeles College	7,927	453
Instructional Television	279	—
Total Districtwide	<u>90,985</u>	<u>7,154</u>

Your attention is directed to the Independent Auditors' Report, the Management's Discussion and Analysis, and the Basic Financial Statement sections, which represent the complete representation of the District's financial information.

Sincerely,



Francisco Rodriguez, Ph.D.
Chancellor



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District:

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Community College District (the District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements for the years then ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles Community College District as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4–15, the schedule of the District's proportionate share of the net pension liability and schedule of District contributions on page 53, and the schedule of changes in the net OPEB liability and related ratios on page 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted a discussion of the 2018 information in the management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental financial information on pages 55 to 72, the reconciliation of annual financial and budget report (CCFS-311) on page 85, and the reconciliation of governmental funds to the statement of net position on page 87, which are presented based on the requirements of the *Contracted District Audit Manual issued by the California Community Colleges Chancellor's Office*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental financial information, the reconciliation of annual financial and budget report (CCFS-311), and the reconciliation of governmental funds to the statement of net position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental financial information, the reconciliation of annual financial and budget report (CCFS-311), and the reconciliation of governmental funds to the statement of net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplemental information on pages 74 to 84, 86 and 88 to 91 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance



with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

This section presents the management's discussion and analysis (MD&A) of the Los Angeles Community College District's (the District's) financial activities for the fiscal year ended June 30, 2019. The MD&A has been prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

Financial Highlights

- The liabilities of the District exceeded its assets as of June 30, 2019 by \$111.5 million (net position). Of this amount, a net deficit of \$1.03 billion is unrestricted net position. The increase in net position of \$81.6 million as of June 30, 2019 in comparison to the prior year is primarily due to State Apportionments, Local Property Taxes, Investment Gains and Local Taxes levied for General Obligation Bonds. The \$421.4 million (restricted net position) may be used for the District's ongoing obligations related to programs with internal and external restrictions. The remaining component of the District's net position represents \$494.2 million of net amounts invested in capital assets.
- The net increase in capital assets of \$27.4 million is primarily due to the addition of \$205 million in capital assets related to construction activities and recognition of \$178.8 million in depreciation expense.
- The District's revenue from operating activities decreased by \$15.5 million while operating expenses increased by \$26.2 million.

Overview of the Basic Financial Statements

The District follows the financial reporting guidelines established by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. These statements require the District to report its basic financial statements at an entity-wide level under the business-type, activity-reporting model. This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include four components: (1) statements of net position; (2) statements of revenue, expenses, and changes in net position; (3) statements of cash flows; and (4) notes to basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The statements of net position represent the entire District's combined assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, including associated student organizations' financial information. Changes in total net position as presented on the statements of net position are based on the activities presented in the statements of revenue, expenses, and changes in net position. The statements of revenue, expenses, and changes in net position represent the revenue received, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the District. The statements of cash flows present detailed information about the cash activities of the District during the year. The purpose of these basic financial statements is to summarize the financial information of the District, as a whole, and to present a long-term view of the District's finances.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

Statements of Net Position

The statements of net position present end-of-year data concerning assets (current and noncurrent), deferred outflow of resources, liabilities (current and noncurrent), deferred inflow of resources, and net position as of June 30, 2019 and 2018. The statements of net position present the assets, liabilities, and net position of the District at June 30, 2019 and 2018. The statement of net position is a point-in-time financial statement. The purpose is to present to the readers of the basic financial statements a fiscal snapshot of the District. From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors, investors, and lending institutions.

Finally, the statements of net position provide a picture of the net position and its availability for expenditure by the institution. Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution net of capital related debt. The second category is restricted net position, which is divided into two categories, and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final net position category is unrestricted. Unrestricted net position is available to the institution for any lawful purpose of the institution.

Statements of Revenue, Expenses, and Changes in Net Position

Changes in total net position as presented on the statements of net position are based on the activities presented in the statements of revenue, expenses, and changes in net position. The purpose of these statements is to present the revenue received by the District, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the District.

Generally, operating revenue is received for providing goods and services to the students and other constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenue and to carry out the mission of the District. Nonoperating revenue is revenue received for which goods and services are not provided to the funder. For example, state appropriations are nonoperating because they are provided by the legislature to the institution without the legislature directly receiving commensurate goods and services for that revenue. The District uses the economic resources measurement focus and accrual basis of revenue recognition. See note 2(a) to the basic financial statements for further discussions on revenue recognition.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

Financial Analysis of the District as a Whole

Summary Schedule of Net Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	Increase (decrease)
Assets:			
Current and other assets	\$ 1,177,174,195	1,332,982,123	(155,807,928)
Capital assets, net	<u>4,410,111,371</u>	<u>4,382,735,130</u>	<u>27,376,241</u>
Total assets	5,587,285,566	5,715,717,253	(128,431,687)
Deferred outflows of resources	<u>368,137,607</u>	<u>415,780,138</u>	<u>(47,642,531)</u>
Total assets and deferred outflows of resources	\$ <u><u>5,955,423,173</u></u>	<u><u>6,131,497,391</u></u>	<u><u>(176,074,218)</u></u>
Liabilities:			
Current liabilities	\$ 434,704,090	558,045,012	(123,340,922)
Noncurrent liabilities	<u>5,541,808,873</u>	<u>5,678,342,680</u>	<u>(136,533,807)</u>
Total liabilities	5,976,512,963	6,236,387,692	(259,874,729)
Deferred inflows of resources	<u>90,423,604</u>	<u>88,264,466</u>	<u>2,159,138</u>
Total liabilities and deferred inflows of resources	\$ <u><u>6,066,936,567</u></u>	<u><u>6,324,652,158</u></u>	<u><u>(257,715,591)</u></u>
Net position:			
Net investment in capital assets	\$ 494,184,192	401,960,903	92,223,289
Restricted – expendable	421,408,376	439,424,922	(18,016,546)
Unrestricted	<u>(1,027,105,962)</u>	<u>(1,034,540,592)</u>	<u>7,434,630</u>
Total net position	\$ <u><u>(111,513,394)</u></u>	<u><u>(193,154,767)</u></u>	<u><u>81,641,373</u></u>

Current and other assets decreased by \$155.8 million. The net decrease is due in part to the following:

- (1) A \$166.5 million decrease in restricted investments is primarily due to continuous capital construction program spending without new General Obligation Bond issuance during the fiscal year.
- (2) A \$3 million net decrease in deposit with trustee due to a \$100 million increase in noncurrent portion and \$103 million decrease in the current portion as a result of a drop in G.O Bond principal maturity and interest payable for the next fiscal year.
- (3) A \$20.2 million increase in cash and cash equivalents is primarily related to increase in State apportionment and lottery revenues.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

- (4) A \$9 million net decrease in accounts receivable due in part to non-recognition of unpaid student fees as of June 2019 for Summer 2019 and Fall 2019 semesters.
- (5) A \$3.3 million increase in prepaid expenses due to prepayment of FY 2019-2020 Supplementary Retirement Plan invoice.

Deferred outflows of resources decreased by \$47.6 million. The net decrease is due to the following:

- (1) A \$46.4 million decrease in deferred outflows of resources was primarily caused by changes in the District's proportionate share of the CalPERS and CalSTRS pension obligations and changes in the assumptions used.
- (2) A \$8.9 million increase relates to Other Postemployment Benefits (OPEB) primarily due to changes in actuarially determined assumptions.
- (3) A \$10.2 million decrease due to the amortization of prepaid interest.

Current liabilities increased by \$123.3 million. The net increase is due in part to the following:

- (1) A \$140 million decrease in current portion of G.O. bonds due to lower maturing G.O. Bond principal for the next 12 months.
- (2) A \$24 million net increase in accounts payable and accrued liabilities due to the increase of \$19 million in accruals under the building fund and a \$5 million increase in the other current liabilities including trade accounts payable and apportionment and lottery.
- (3) An \$8.5 million decrease in deferred revenue is primarily due to non-recognition of unpaid student fees as of June 2019 for Summer 2019 and Fall 2019 semesters.

Noncurrent liabilities decreased by \$136.5 million. The net decrease is due in part to the following:

- (1) A \$2.7 million decrease in pension obligations, due to the changes in actuarially determined pension obligation amount as of June 30, 2019.
- (2) A \$8.6 million decrease in OPEB obligations, due to the changes in actuarially determined OPEB assumptions.
- (3) A \$120.4 million decrease in the noncurrent portion of long-term debt is primarily due to the payment of \$235.4 million as matured principal of G.O. bonds, amortization of \$25 million unamortized bond premiums and the maturity of non-current portion of G.O Bonds.
- (4) A \$5.6 million decrease in long term portion of supplemental retirement plan liability due to portion of the liability becoming due within the next fiscal year.

Deferred inflows of resources increased by \$2.2 million. The net increase is due to changes in CalPERS, CalSTRS, OPEB investment earnings, and changes in assumptions used.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

Net position increased by \$81.6 million. The net increase is due in part to the following:

- (1) A \$92.2 million increase in net investment in capital assets is primarily due to \$178.8 million depreciation, \$235.4 million of matured G.O Bond principal payment, \$15.2 million positive net amortization of issue premium and deferred outflow of resources and \$21.7 million in capitalized interest.
- (2) A \$2 million decrease in debt services related payments.

Summary Schedule of Revenue, Expenses, and Change in Net Position

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenue:			
Operating revenue:			
Net tuition and fees	\$ 51,770,198	59,800,334	(8,030,136)
Grants and contracts, noncapital	152,947,888	158,444,844	(5,496,956)
Other	22,559,646	24,556,776	(1,997,130)
Other revenue:			
State apportionments, capital	971,385	4,061,944	(3,090,559)
Federal subsidy	19,814,069	19,731,305	82,764
Local tax for G.O. Bonds	412,298,825	376,051,293	36,247,532
Nonoperating revenue:			
State apportionments, noncapital	467,346,342	436,497,100	30,849,242
Property taxes	235,183,092	216,232,066	18,951,026
Investment income	27,804,994	9,343,301	18,461,693
Federal financial aid grants, noncapital	150,682,891	150,723,752	(40,861)
State financial aid grants, noncapital	23,414,800	18,639,412	4,775,388
Other	21,414,323	23,820,447	(2,406,124)
Total revenue	<u>1,586,208,453</u>	<u>1,497,902,574</u>	<u>88,305,879</u>
Expenses:			
Operating expenses:			
Salaries	525,979,506	517,790,521	8,188,985
Employee benefits	93,571,250	107,555,400	(13,984,150)
OPEB	29,624,101	35,357,701	(5,733,600)
Pensions	110,579,547	104,182,045	6,397,502
Supplies, materials, and other operating expenses and services	182,494,414	165,938,056	16,556,358
Student grants	201,974,629	197,183,952	4,790,677
Depreciation and other	194,537,169	184,547,037	9,990,132
Total operating expenses	<u>1,338,760,616</u>	<u>1,312,554,712</u>	<u>26,205,904</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

Summary Schedule of Revenue, Expenses, and Change in Net Position

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Nonoperating expenses:			
Interest expense	\$ 165,735,326	166,602,950	(867,624)
Other	71,138	5,898,733	(5,827,595)
Total expenses	<u>1,504,567,080</u>	<u>1,485,056,395</u>	<u>19,510,685</u>
Change in net position	81,641,373	12,846,179	68,795,194
Net Position:			
Beginning of year	(193,154,767)	315,799,679	(508,954,446)
Cumulative effect of change in accounting for OPEB, as of July 1, 2017	<u>—</u>	<u>(521,800,625)</u>	<u>521,800,625</u>
Net position, end of year	<u>\$ (111,513,394)</u>	<u>(193,154,767)</u>	<u>81,641,373</u>

The summary of revenue, expenses, and net position reflects that revenues exceed expenses by \$81.6 million at the end of the year, as explained below.

Operating revenue decreased by \$15.5 million. The net decrease is due in part to the following:

- (1) A \$2.7 million decrease in grants funds for FTA project, and \$1.5 million decrease in grant funding for Department of Labor, Vocational and Foster Care programs.
- (2) A \$1.9 million decrease in bookstore, cafeteria, and other auxiliary enterprise revenue.
- (3) A \$8 million decrease in tuition and fees revenue due in part to increase in High School Waiver awards and increase in bad debt expense recognition related to student fee account receivables.

Other revenue increased by \$33.2 million. The net increase is due in part to the following:

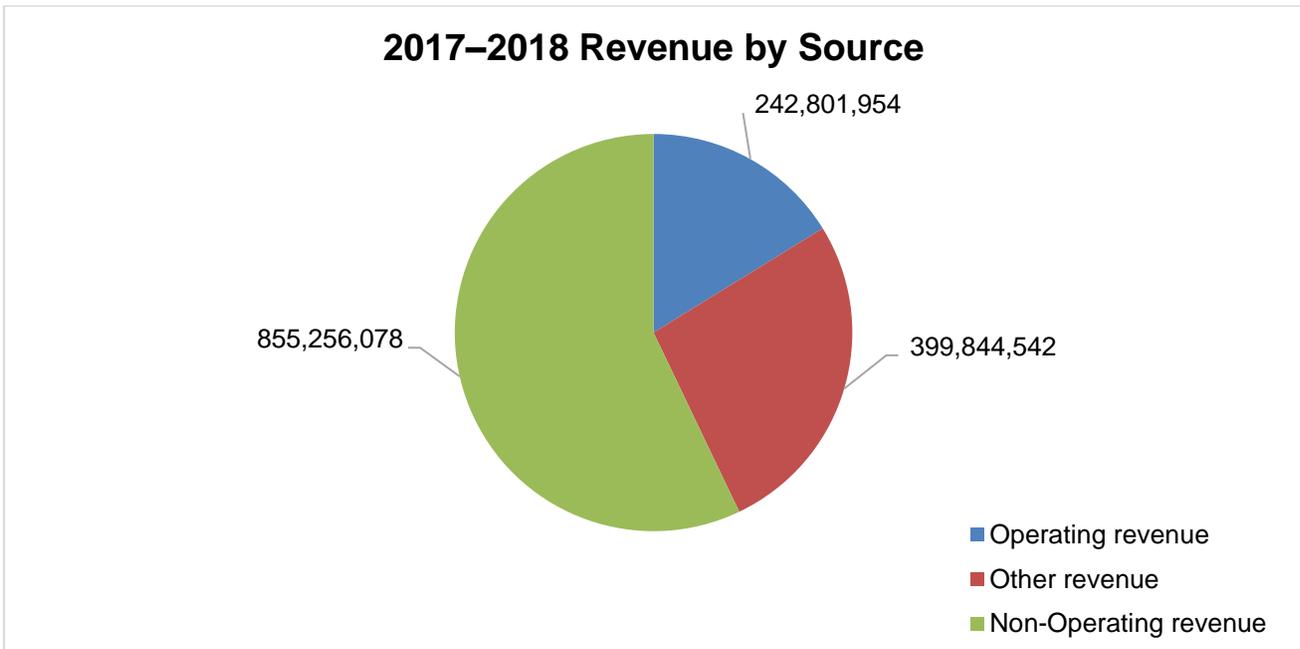
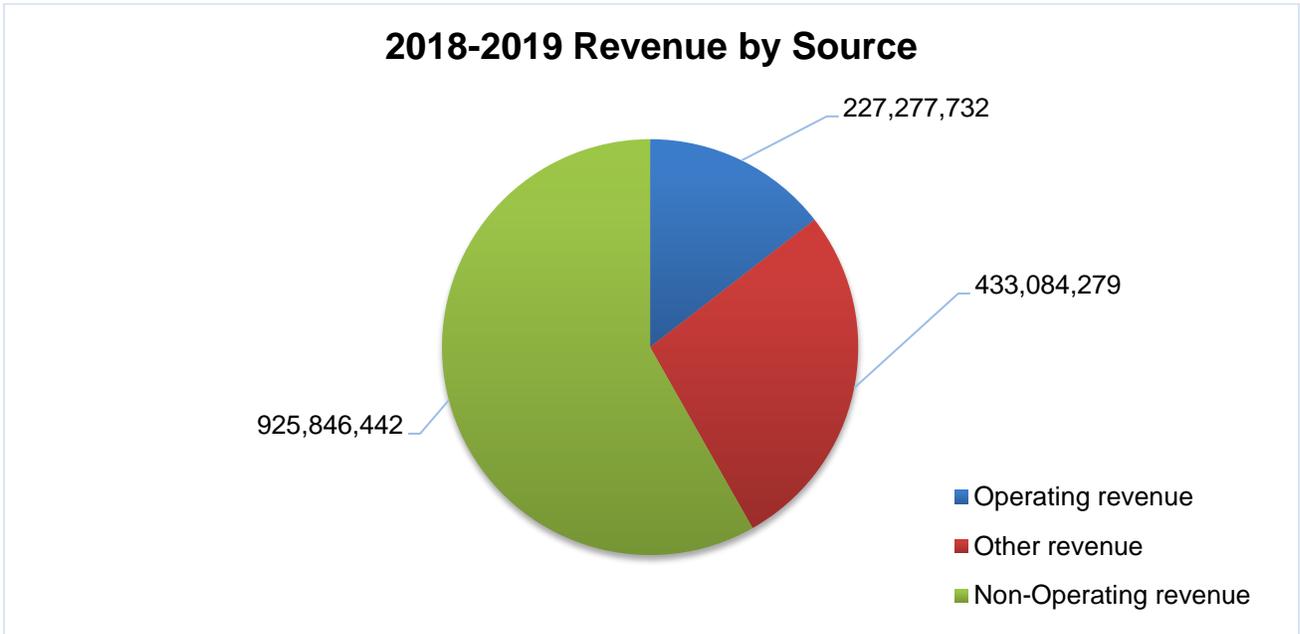
- (1) A \$36.2 million increase in local tax for G.O. bonds revenue related to property taxes levied for the District's debt issuances.
- (2) A \$3.1 million decrease in state apportionments (capital).

Nonoperating revenue increased by \$70.6 million. The net increase is due in part to the following:

- (1) A \$30.8 million increase in state apportionments for (non-capital) due to increase in the state budget allocation for education.
- (2) A \$25.3 million increase in investment gain is due to the cumulative effect of \$14.6 million investment gain reported for the fiscal year 2018-2019 and investment loss of \$10.7 million for the fiscal year 2017-2018.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
June 30, 2019 and 2018

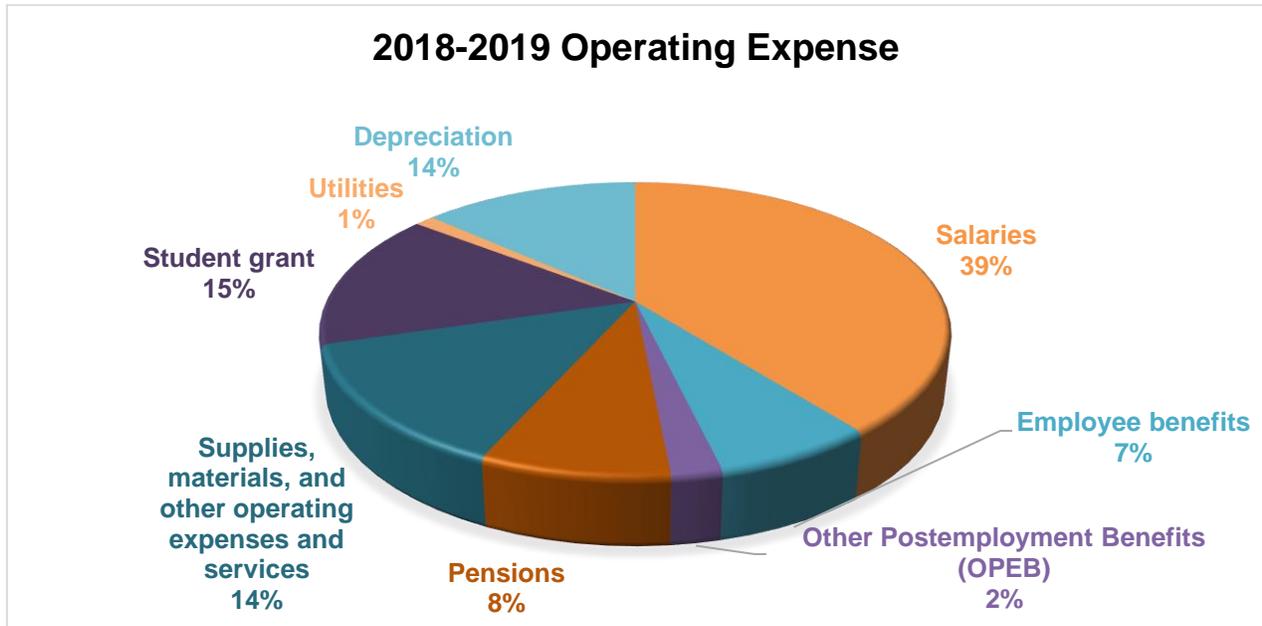
(3) A \$18.9 million increase in local property taxes.



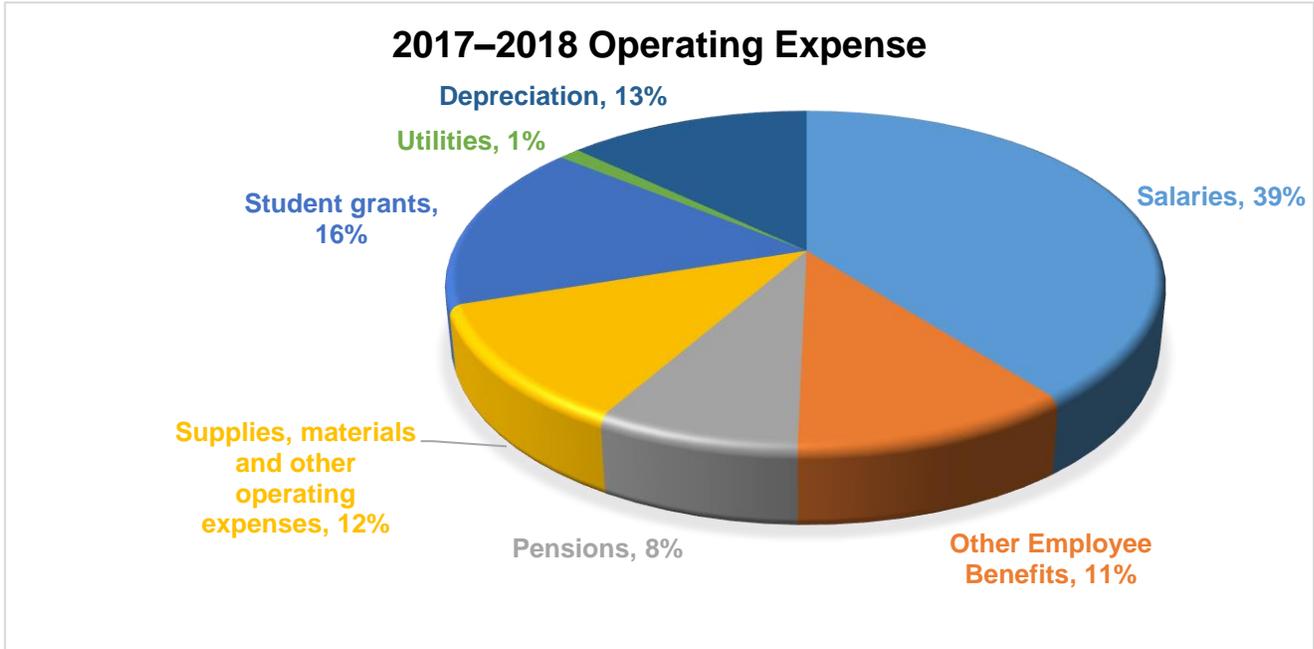
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Operating expenses increased by \$26.2 million. The net increase is due in part to the following:

- (1) A \$8.1 million increase in employee salaries due to the cost of living adjustments.
- (2) A \$14 million decrease in employee benefits and \$5.7 million decrease in OPEB are primarily due to changes in actuarially determined expenses.
- (3) A \$6.4 million increase in pension expenses is primarily due to changes in actuarially determined expenses.
- (4) A \$16.6 million increase in supplies, materials, and other operating expenses is primarily due to \$6.3 million increase in scheduled maintenance, \$7.8 million increase in construction project–related other expenses and \$3 million increase in contract and other services including legal expenses.
- (5) A \$4.8 million increase in student grants expenditures due to increase in the number of students who were qualified for State and Federal grants.
- (6) A \$9.1 million increase in depreciation expense related to capital assets.



LOS ANGELES COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
June 30, 2019 and 2018



Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, totaled \$4.41 billion and \$4.38 billion at June 30, 2019 and 2018, respectively. This investment comprises a broad range of capital assets, including land, buildings, construction in progress, works of art, infrastructure and land improvements, and furniture, fixtures and equipment.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

The following schedule summarizes the District's capital assets as of June 30, 2019 and 2018:

Capital Assets, Net

	Balance at June 30	
	2019	2018
Land	\$ 198,829,856	198,829,856
Land improvements	464,769,443	461,504,470
Buildings	4,500,463,849	4,385,077,009
Construction in progress	530,286,746	452,923,190
Works of art	518,000	518,000
Library Books & Reference Materials	15,569	—
Furniture and equipment	199,676,278	194,764,116
Infrastructure	<u>11,687,515</u>	<u>7,127,341</u>
Total	5,906,247,256	5,700,743,982
Less accumulated depreciation	<u>(1,496,135,885)</u>	<u>(1,318,008,852)</u>
Net capital assets	<u>\$ 4,410,111,371</u>	<u>4,382,735,130</u>

In fiscal year 2019, the District added \$210.9 million of capital assets including capitalized interest of \$21.7 million, depreciation of \$178.8 million and disposal of \$4.7 million of assets, net of accumulated depreciation.

During the year ended June 30, 2019, the District's investments in facility master plans, construction, and building improvements increased due to funding from Proposition A, Proposition AA, Measure J, and Measure CC bonds.

The District had a significant number of ongoing building projects funded from Proposition A, Proposition AA, Measure J, and Measure CC bond money.

In April 2001, the District became the first community college district in the state to pass a property tax–financed bond, Proposition A, under the new requirements of the Strict Accountability in Local School Construction Act of 2000 for \$1.245B. The bond measure was designed to implement a capital improvement program for each of the nine colleges within the District.

In May 2003, the voters passed another G.O. bond, Proposition AA, for \$980 million. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District and refinance other outstanding debts of the District and colleges.

In November 2008, the voters passed another G.O. bond, Measure J, for \$3.5 billion. The bond measure was designed to finance additional construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

In November 2016, the voters passed another G.O. bond, Measure CC, for \$3.3 billion. The bond measure was designed to finance additional construction, building acquisition, equipment, improvement of college and support facilities, and completion of any other projects covered by previous bonds.

The District is in the 18th year of Proposition A, the 16th year of Proposition AA, the 11th year of Measure J, and the 2nd year of Measure CC bond construction programs. Approximately \$5.0 billion has been spent to date for Proposition A, Proposition AA, Measure J, and Measure CC bonds combined for several capital projects at all nine colleges and to refinance outstanding debt (Certificates of Participation Notes) at both the District and colleges. The District anticipates completion of these capital projects by the year 2030. The District has issued to date all the authorized amounts of Proposition A and Proposition AA bonds, \$2.825 billion of Measure J and \$100 million of Measure CC authorization amounts.

Long-Term Debt

At June 30, 2019 and 2018, the District had \$3.9 billion and \$4.2 billion in long-term debt, respectively. The District's long-term debt decreased during the year ended June 30, 2019, primarily as a result of payment of matured G.O. bonds.

	<u>2019</u>	<u>2018</u>
G.O. bonds:		
Proposition A and AA, 2004 Series	\$ 33,670,000	33,670,000
Proposition A, 2007 Series	—	—
Proposition A and AA, 2008 Series	—	15,155,000
Measure J, 2009 Series	75,000,000	75,000,000
Measure J, 2010 Series	1,025,000,000	1,025,000,000
Measure J, 2013 Series	202,000,000	205,000,000
Measure J, 2013 Series Refunding Bond	38,945,000	42,305,000
Measure J 2015 Series G	212,070,000	218,205,000
Proposition A, AA and Measure J 2015 Refunding Series A	1,429,435,000	1,446,665,000
2015 Proposition A, and AA Refunding Series B	28,830,000	33,270,000
Proposition A 2015 Refunding Series C	252,150,000	272,085,000
Measure J 2016 Series I	210,570,000	223,910,000
Measure J 2016 Refunding	174,965,000	175,565,000
Measure J 2017 Series J	247,755,000	300,000,000
Measure CC 2017 Series A-1 and A-2	—	100,000,000
	<u>\$ 3,930,390,000</u>	<u>4,165,830,000</u>

The District's debt rating from Moody's was Aa1 during June 30, 2019 and 2018. The District's debt rating from Standard and Poor's was AA+ in June 30, 2019 and 2018.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2019 and 2018

Further information regarding the District's capital assets and long-term debt can be found in notes 4 and 9 in the accompanying basic financial statements.

Economic Factors

On June 27, 2019, the governor signed the \$215 billion 2019-2020 state budget bill plus additional trailer bills that impact the California Community Colleges. The 2019-2020 State Budget includes a total investment in Proposition 98 of \$81.1 billion, an increase of \$2.9 billion over last year's budget. Increases to the California Community College Systems include funds deposited into the Public School System Stabilization Account, Non Prop 98 funds to create the California Cradle to Career Data System, payments to pay down unfunded pension liabilities and additional one time funds.

Funding for the Education Protection Act (EPA) will continue due to the passage of Proposition 55 in November 2016, of which the District will receive \$95.7 million for the 2019-2020 fiscal year. With the improved state economy, the state continues to invest in community colleges with continued funding for student support.

Student Enrollment and State Funding

The student enrollment fee remains at \$46 per unit in 2019–2020. The Community College System is in the second year of the implementation of the Student-Centered Funding Formula (SCFF), which moves a portion of general fund apportionment away from enrollment-based funding and now recognizes student equity and outcomes. During the transition from the previous funding formula, SCFF provides a hold-harmless provision – Community colleges will receive no less in total apportionment funding than they received in FY 2017-18 with adjustments for COLA through FY 2021-22.

Even with the provision, the District received approximately \$20 million of additional revenue due to the SCFF calculation for FY 2018-19.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact the Chief Financial Officer/Treasurer, Los Angeles Community College District, 770 Wilshire Blvd, Los Angeles, CA 90017.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2019 and 2018

Assets and Deferred Outflows of Resources	2019	2018
	<hr/>	<hr/>
Current assets:		
Cash and cash equivalents (note 3)	\$ 396,080,108	376,743,295
Accounts receivable, net of allowance	94,969,918	104,070,459
Student loans receivable, net-current portion	162,649	235,011
Deposit with trustee – current portion (note 3)	300,621,443	403,968,794
Inventory	3,731,294	4,496,323
Prepaid expenses and other assets	11,028,178	7,763,694
	<hr/>	<hr/>
Total current assets	806,593,590	897,277,576
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	6,465,238	5,572,756
Restricted investments (note 3)	235,625,593	402,096,105
Student loans receivable, net of allowance – noncurrent portion	3,094,844	2,990,344
Deposit with trustee – noncurrent portion (note 3)	125,394,930	25,045,342
Capital assets (note 4):		
Land	198,829,856	198,829,856
Land improvements	464,769,443	461,504,470
Buildings	4,500,463,849	4,385,077,009
Construction in progress	530,286,746	452,923,190
Library Books & Reference Materials	15,569	—
Works of art	518,000	518,000
Furniture, fixtures, and equipment	199,676,278	194,764,116
Infrastructure	11,687,515	7,127,341
	<hr/>	<hr/>
	5,906,247,256	5,700,743,982
Accumulated depreciation	<u>(1,496,135,885)</u>	<u>(1,318,008,852)</u>
Capital assets, net	<u>4,410,111,371</u>	<u>4,382,735,130</u>
Total assets	5,587,285,566	5,715,717,253
Deferred outflow of resources – pensions (note 6)	179,006,509	225,400,099
Deferred outflow of resources – OPEB (note 7)	35,413,966	26,489,654
Deferred outflow of resources – debt refunding (note 9)	153,717,132	163,890,385
	<hr/>	<hr/>
Total assets and deferred outflow of resources	\$ <u>5,955,423,173</u>	<u>6,131,497,391</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Net Position

June 30, 2019 and 2018

Liabilities, Deferred Inflows of Resources, and Net Position	2019	2018
Current liabilities:		
Accounts payable and accrued liabilities	\$ 195,364,458	171,059,456
Unearned revenue	6,451,238	14,919,656
Compensated absences (note 9)	9,350,814	8,647,697
Supplemental retirement plan (note 9)	5,565,068	5,565,068
General liability (notes 9 and 10)	5,873,847	3,134,102
Workers' compensation (notes 9 and 10)	4,440,484	4,280,371
Accrued interest and other accrued liabilities	86,680,625	89,086,209
Amounts held in trust for others	502,169	500,672
Long-term debt – current (note 9)	120,366,864	260,401,478
Capital leases – current (note 9)	108,523	450,303
Total current liabilities	<u>434,704,090</u>	<u>558,045,012</u>
Noncurrent liabilities:		
Compensated absences (note 9)	8,697,667	8,410,345
Supplemental retirement plan (note 9)	11,130,135	16,695,203
General liability (notes 9 and 10)	6,490,153	4,856,898
Workers' compensation (notes 9 and 10)	33,346,516	34,419,629
Net pension liability (note 6)	742,539,054	745,265,966
Net OPEB obligation (note 7)	583,197,531	591,811,439
Long-term debt, net of current portion (note 9)	4,156,379,848	4,276,746,708
Capital leases, net of current portion (note 9)	27,969	136,492
Total noncurrent liabilities	<u>5,541,808,873</u>	<u>5,678,342,680</u>
Total liabilities	5,976,512,963	6,236,387,692
Deferred inflow of resources – pension (note 6)	22,517,880	23,142,836
Deferred inflow of resources – OPEB (note 7)	67,905,724	65,121,630
Total liabilities and deferred inflows	<u>\$ 6,066,936,567</u>	<u>6,324,652,158</u>
Net position:		
Net investment in capital assets	\$ 494,184,192	401,960,903
Restricted for:		
Expendable:		
Scholarships and loans	10,870,306	9,892,504
Capital projects	23,055,236	40,325,314
Debt service	356,464,683	358,533,164
Other special purposes	31,018,151	30,673,940
Unrestricted	<u>(1,027,105,962)</u>	<u>(1,034,540,592)</u>
Total net position	<u>\$ (111,513,394)</u>	<u>(193,154,767)</u>

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Statements of Revenue, Expenses, and Changes in Net Position
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenue:		
Tuition and fees	\$ 127,101,511	137,636,094
Less scholarship discounts and allowances	<u>(75,331,313)</u>	<u>(77,835,760)</u>
Net tuition and fees	<u>51,770,198</u>	<u>59,800,334</u>
Grants and contracts, noncapital:		
Federal	46,278,444	51,131,177
State	89,479,911	73,077,989
Local	<u>17,189,533</u>	<u>34,235,678</u>
Net grants and contracts, noncapital	152,947,888	158,444,844
Auxiliary enterprise sales and charges	<u>22,559,646</u>	<u>24,556,776</u>
Total operating revenue	<u>227,277,732</u>	<u>242,801,954</u>
Operating expenses:		
Salaries	525,979,506	517,790,521
Employee benefits	93,571,250	107,555,400
OPEB	29,624,101	35,357,701
Pensions	110,579,547	104,182,045
Supplies, materials, and other operating expenses and services	182,494,414	165,938,056
Student grant	201,974,629	197,183,952
Utilities	15,697,518	14,846,796
Depreciation	<u>178,839,651</u>	<u>169,700,241</u>
Total operating expenses	<u>1,338,760,616</u>	<u>1,312,554,712</u>
Operating loss	<u>(1,111,482,884)</u>	<u>(1,069,752,758)</u>
Nonoperating revenue (expenses):		
State apportionments, noncapital	467,346,342	436,497,100
Local property taxes	235,183,092	216,232,066
State taxes and other revenue	7,952,820	6,980,395
Investment income – noncapital	4,110,907	2,634,135
Investment income – capital	9,092,798	6,709,166
Interest expense on capital asset-related debt	(165,735,326)	(166,602,950)
Federal financial aid grants, noncapital	150,682,891	150,723,752
State financial aid grants, noncapital	23,414,800	18,639,412
Other nonoperating revenue	13,461,503	27,558,918
Other nonoperating expense	(71,138)	(5,898,733)
Investment Income (Loss)	<u>14,601,289</u>	<u>(10,718,866)</u>
Total nonoperating revenue, net	<u>760,039,978</u>	<u>682,754,395</u>
Loss before other revenue, expenses, gains, or losses	(351,442,906)	(386,998,363)
State apportionments, capital	971,385	4,061,944
Federal subsidy	19,814,069	19,731,305
Local tax for G.O. bonds	<u>412,298,825</u>	<u>376,051,293</u>
Increase (decrease) in net position	81,641,373	12,846,179
Net position:		
Beginning of year	(193,154,767)	315,799,679
Cumulative effect of change in accounting for OPEB, as of July 1, 2017	<u>—</u>	<u>(521,800,625)</u>
End of year	<u>\$ (111,513,394)</u>	<u>(193,154,767)</u>

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Tuition and fees	\$ 48,904,014	58,834,961
Grants and contracts	150,063,461	156,083,826
Payments to suppliers	(163,993,137)	(149,439,349)
Payments for student grants	(205,592,888)	(192,889,474)
Payments for utilities	(15,697,518)	(14,846,796)
Payments to employees	(527,913,362)	(514,384,592)
Payments for benefits	(208,229,189)	(195,730,477)
Bookstore and cafeteria sales	23,614,183	24,795,043
Other	—	120,653
	<u>(898,844,436)</u>	<u>(827,456,205)</u>
Net cash used in operating activities		
Cash flows from noncapital financing activities:		
State apportionments	469,700,907	441,241,749
Property taxes	235,183,092	216,232,066
State taxes and other revenue	7,952,820	6,980,395
Federal financial aid grants	150,682,891	150,723,752
State financial aid grants	23,414,800	18,639,412
Other receipts	13,540,914	21,761,476
	<u>900,475,424</u>	<u>855,578,850</u>
Net cash provided by noncapital financing activities		
Cash flows from capital financing activities:		
Proceeds from capital debt issuances	—	400,000,000
Capital appropriations, local property tax, grant, and gift, capital	971,385	5,864,031
Local tax for G.O. bond	434,389,108	285,103,279
Purchases of capital assets	(171,557,381)	(169,111,474)
Principal paid on capital debt and leases	(235,440,000)	(82,050,000)
Interest paid on capital debt and leases	(204,856,919)	(199,185,862)
	<u>(176,493,807)</u>	<u>240,619,974</u>
Net cash provided by capital financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	211,967,241	184,648,563
Purchase of investments	(16,875,127)	(406,787,501)
	<u>195,092,114</u>	<u>(222,138,938)</u>
Net cash used in investing activities		
Net increase in cash and cash equivalents	20,229,295	46,603,681
Cash and cash equivalents – beginning of the year	<u>382,316,051</u>	<u>335,712,370</u>
Cash and cash equivalents – end of year	<u>\$ 402,545,346</u>	<u>382,316,051</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 396,080,108	376,743,295
Restricted cash and cash equivalents	6,465,238	5,572,756
Total	<u>\$ 402,545,346</u>	<u>382,316,051</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,111,482,884)	(1,069,752,758)
Depreciation expense	178,839,651	169,700,241
Adjustments to reconcile operating loss to net cash used in operating activities:		
Receivables, net	12,225,897	(14,771,530)
Inventory	765,029	(262,322)
Other assets	1,394,191	18,231,519
Accounts payable	111,564	19,104,188
Unearned revenue	(8,468,418)	2,844,788
Amounts held in trust for others	1,497	(5,317)
General liability	4,373,000	1,543,000
Workers' compensation	(913,000)	1,627,000
Supplemental retirement plan expense	(5,565,068)	(4,114,457)
Compensated absences	990,439	(1,267,734)
Net OPEB obligation	(14,754,126)	(58,110,364)
Net pension obligations	43,041,722	108,376,865
Other liabilities	596,070	(599,324)
Net cash used in operating activities	\$ (898,844,436)	(827,456,205)
Noncash capital financing activities:		
Additions to capital assets included in accounts payable	\$ 18,067,728	(11,153,881)
Amortization of accrued original interest premium	24,961,478	25,088,131
Amortization of prepaid interest	(10,173,253)	(10,173,253)

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

(1) Organization and Reporting Entity

The Los Angeles Community College District (the District or LACCD) is a political subdivision of the State of California (the State) and is located within the County of Los Angeles, California (the County). The District's operations consist principally of providing educational services to the local residents of the District. In conjunction with educational services, the District also provides supporting student services, such as the operation of campus bookstores and cafeterias. The District consists of nine community colleges located within the County.

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's board of trustees. The District's basic financial statements include the financial activities of the District and the totals of the trust and agency funds, which primarily represent associated student organizations and amounts for scholarships within the District. Associated student organizations are recognized agencies of the District and were organized in accordance with provisions of the California Education Code to control the administration of student funds. The financial affairs of the associated student organizations are administered under the direction of the college financial administrators at the respective colleges, with the supervision and guidance of the District's deputy chancellor.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(b) Financial Reporting

The basic financial statements required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, and Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, include statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows. The District is considered a special-purpose government under the provisions of GASB Statement No. 35. Accordingly, the District has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the District to be reported in a single column. In accordance with the business-type activities reporting model, the District prepares its statements of cash flows using the direct method. The effect of internal activities between funds or groups of funds has been eliminated from these basic financial statements.

(c) Net Position

The District's net position is classified into the following categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

Restricted expendable: Subject to externally imposed conditions that can be fulfilled by actions of the District or by the passage of time; net position may be restricted for such things as capital projects, debt repayment, escrow accounts, and/or educational programs.

Restricted nonexpendable: Subject to externally imposed conditions where the principal portion of net position is not to be expended for any reason; only interest earned by the principal portion can be expended on purposes designated by the externally imposed conditions. At June 30, 2019 and 2018, the District did not have any restricted nonexpendable net position.

Unrestricted: Unrestricted net position is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

(d) Cash and Cash Equivalents

The District participates in the common investment pool of the County. The investment pool is reported at fair value. For purposes of the statements of cash flows, the District considers all cash and a portion of the investments pooled with the County plus any other cash deposits or investments with initial maturities of three months or less to be cash and cash equivalents.

(e) Inventory

Bookstore, cafeteria, and supply inventories are recorded at cost on the first-in, first-out basis and expended on the consumption method.

(f) Properties and Depreciation

Properties are carried at cost or at appraised fair market value at the date received in the case of properties acquired by donation, less allowance for accumulated depreciation. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets.

Current ranges of useful lives for depreciable assets are as follows:

Land improvements	15 Years
Buildings	50 Years
Building improvements	20 Years
Furniture, fixtures, and equipment	3 to 7 Years
Vehicles	5 Years
Infrastructure	15 Years
Leasehold improvements	7 Years
Photovoltaic generating facility	30 to 50 Years

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

The District's capitalization threshold is as follows:

Movable equipment	\$ 5,000 and above
Land, buildings, and infrastructure	50,000 and above

(g) *Accrued Employee Benefits*

The District reports for vacation leave benefits that have been earned as a liability within the statements of net position. Accumulated sick leave benefits are not reported as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest.

(h) *Unearned Revenue*

A majority of the unearned revenue balance represents cash collected in advance for tuition and student fees and will be recognized as revenue in the period in which it is earned.

(i) *Operating Revenue and Expenses*

The District's operating revenue includes tuition fees, and federal, and state revenue. Operating costs include cost of services as well as materials, contracts, personnel, and depreciation.

Nonoperating revenue includes state apportionments, property taxes, and grants. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(j) *Income Taxes*

The District is a political subdivision of the State and is treated as a governmental entity for tax purposes. As such, the District is generally not subject to federal or state income taxes. However, the District remains subject to income taxes on any net income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

(k) *Estimates*

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue, and expenses in the accompanying basic financial statements. Actual results could differ from those estimates. The District notes that prior year reclasses are immaterial to the District's financial statements.

(l) *New Accounting Standards*

(i) *Effective During Fiscal Year 2018*

In June 2015, the GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The District adopted the provisions of the statement effective as of July 1, 2017, relating to the post employment health benefits provided to retirees. Prior to the

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Notes to Basic Financial Statements

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adoption of Statement No. 75, the District reported OPEB under GASB Statement No. 45 and reported the annual required contribution (ARC) as a component of employee benefits expense and a related asset or liability depending on whether contributions made to the plan were more or less than the actuarially determined contribution. This new statement established standards for how government employers should measure, recognize, display, and disclose the long-term obligations and annual costs arising from their promises to provide other postemployment benefits (OPEB) to their retired employees. When an organization's OPEB liability exceeds the OPEB plan's net position available for paying benefits, there is a net OPEB liability. Governments will now be required to report that amount as a liability in their basic financial statements. In addition, the statement requires that projected benefit payments be discounted to their actuarial present value using a single blended rate that reflects (1) a long-term expected rate of return on OPEB plan investments to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to pay benefits and OPEB plan assets are expected to achieve that rate and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with average rating of AA/Aa or higher, to the extent that the conditions under (1) are not met. Implementation of Statement No. 75 resulted in additional OPEB obligations as well as OPEB expense and deferred inflows and outflows of resources. As a result, the District has made the following adjustments to reflect the cumulative effect of the change in accounting for OPEB, effective July 1, 2017:

Effects of accounting for the adoption of GASB Statement No. 75:	
Net OPEB liability at June 30, 2017	\$ 99,774,744
Net OPEB liability at July 1, 2017	(649,921,803)
Deferred outflows of resources related to contributions made after the measurement date of July 1, 2017	<u>28,346,434</u>
Cumulative effect of change in accounting for OPEB at July 1, 2017	<u>\$ (521,800,625)</u>

(ii) *Effective During Fiscal Year 2019*

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the District's fiscal year beginning July 1, 2018. The purpose of this statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). This statement is meant to help identify AROs that have not previously been recognized and to provide additional information through various disclosures. Management has not yet determined the impact of GASB Statement No. 83 on the District's financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, effective for the District's fiscal year beginning July 1, 2018. The purpose of this statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District has made disclosures under the Long-Term Liability (footnote 9) section of this report, as part of the implementation of the GASB.

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(iii) *To Be Implemented in Future Periods*

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the District's fiscal year beginning July 1, 2019. The purpose of this statement is to enhance consistency in reporting by identifying fiduciary activities and how they should be reported. Management has not yet determined the impact of GASB Statement No. 84 on the District's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year beginning July 1, 2020. The purpose of this statement is to enhance consistency in accounting and financial reporting by providing a methodology for identifying and reporting lease arrangements and obligations. Management has not yet determined the impact of GASB Statement No. 87 on the District's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the District's fiscal year beginning July 1, 2020. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not yet determined the impact of GASB Statement No. 89 on the District's financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, effective for the District's fiscal year beginning July 1, 2019. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Management has not yet determined the impact of GASB Statement No. 90 on the District's financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the District's fiscal year beginning July 1, 2021. The purpose of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Management has not yet determined the impact of GASB Statement No. 91 on the District's financial statements.

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(3) Cash and Investments

Cash and investments at June 30, 2019 and 2018 consist of the following:

	2019	2018
Cash and cash equivalents in the County's treasury	\$ 315,860,683	296,427,068
Cash in banks	86,684,663	85,888,983
Total cash and cash equivalents	402,545,346	382,316,051
Investments and deposits with trustee:		
Investments in the County's treasury	657,767,704	827,482,671
Other	3,874,262	3,627,571
Total investments and deposits with trustee	661,641,966	831,110,242
Total cash, and investments and deposits with trustee	\$ 1,064,187,312	1,213,426,293

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the District's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The District groups its assets and liabilities measured at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the District has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

(a) Cash, Cash Equivalents, and Investments in the County Pool

At June 30, 2019 and 2018, the District had \$973,628,387 and \$1,123,909,739 in cash, cash equivalents, and investments in the Los Angeles County Treasurer's Pool (the County Pool), respectively. The District reports amounts involuntarily invested in the County Pool as cash and cash equivalents as they function as a demand deposit account for the District and can be withdrawn from

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the pool without notice or penalty. The District reports amounts voluntarily invested in the County Pool (such as unspent bond proceeds and local property tax collected to pay bond principal and interest) as investments given the potential limitations imposed on withdrawals as well as the weighted average life of the County's Pooled investments.

Statutes authorize the County to invest pooled investments in obligations of the U.S. Treasury, its agencies and municipalities, asset-backed securities, bankers' acceptances, negotiable certificates of deposit, corporate and depository notes, floating rate notes, commercial paper, shares of beneficial interest, repurchase agreements, reverse repurchase agreements, forwards, futures and options, interest rate swaps, securities lending agreements, and supranational. The State of California Education Code permits the District to maintain a significant investment in the County Pool for the purpose of increasing interest earnings through the County's investment activities.

The Los Angeles County Treasurer's pooled investments are managed by the County's treasurer, who reports on a monthly basis to the County's supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the treasurer and tax collector, the auditor controller, superintendent of schools, chief administrative officer, and a non-County representative. To manage the liquidity in the County Pool while still capturing the higher yield offered by longer maturities, the County's investment guidelines target a portfolio weighted average maturity range between 1.0 and 2.0 years. The weighted average maturity of cash and investments in the County Pool was 1.5 years and 1.67 years at June 30, 2019 and 2018, respectively. To mitigate the risk of securities with longer-term maturities in the investment pool, the treasurer has limited maturities that exceed one year to 75% of the last three years' average minimum total cash and investment. The investments in the County Pool with maturities that exceeded one year represented 48.89% and 50.63% of the total pool at June 30, 2019 and 2018, respectively.

Investments held by the County's treasurer are stated at fair value on a recurring basis, as required by GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of underlying actively traded securities in the pool is determined based on current market prices based on the Citibank Valuation Total Report month-end prices. Underlying securities that are not actively traded are priced in accordance with industry pricing standards and include some unobservable inputs. Bond anticipation notes are reported at cost, which equates to fair value. The fair value of the District's position in the pool is the same as the value of the total pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. As the District's investment is in an external pool with the County, these investments are not required to be leveled in the fair value hierarchy.

(b) Other Investments

The District's other investments at June 30, 2019 and 2018 consist of nonnegotiable certificates of deposit held by the associated student organizations of \$3,874,262 and \$3,554,635, respectively. Securities, such as commercial paper and certificates of deposit, with short maturities and infrequent secondary market trades are typically priced via mathematical calculations and are therefore classified as Level 2 in the fair value hierarchy.

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Notes to Basic Financial Statements

June 30, 2019 and 2018

(c) Fair Value Hierarchy

The following table summarizes the District's investments at June 30, 2019 in accordance with the fair value measurement hierarchy:

<u>Investment type</u>	<u>Fair value</u>	<u>Not required to be leveled</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 3,874,262	—	—	3,874,262	—
Investment in the County Pool	657,767,704	657,767,704	—	—	—
Total investments	\$ 661,641,966	657,767,704	—	3,874,262	—

The following table summarizes the District's investments at June 30, 2018 in accordance with the fair value measurement hierarchy:

<u>Investment type</u>	<u>Fair value</u>	<u>Not required to be leveled</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 3,627,571	—	—	3,627,571	—
Investment in the County Pool	827,482,671	827,482,671	—	—	—
Total investments	\$ 831,110,242	827,482,671	—	3,627,571	—

(4) Capital Assets

A summary of changes in capital assets is as follows:

	2019				Balance at June 30, 2019
	Balance at June 30, 2018	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 198,829,856	—	—	—	198,829,856
Construction in process	452,923,190	204,997,826	(4,658,464)	(122,975,806)	530,286,746
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	652,271,046	204,997,826	(4,658,464)	(122,975,806)	729,634,602
Capital assets being depreciated:					
Land improvements	461,504,470	—	—	3,264,973	464,769,443
Buildings	4,385,077,009	79,887	—	115,306,953	4,500,463,849
Library Books & Reference Materials	—	15,569	—	—	15,569

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	2019				Balance at June 30, 2019
	Balance at June 30, 2018	Additions	Disposals	Transfers	
Furniture, fixtures, and equipment	\$ 194,764,116	5,624,991	(712,829)	—	199,676,278
Infrastructure	7,127,341	156,294	—	4,403,880	11,687,515
Total capital assets being depreciated	<u>5,048,472,936</u>	<u>5,876,741</u>	<u>(712,829)</u>	<u>122,975,806</u>	<u>5,176,612,654</u>
Total capital assets	5,700,743,982	210,874,567	(5,371,293)	—	5,906,247,256
Less accumulated depreciation	<u>(1,318,008,852)</u>	<u>(178,839,651)</u>	<u>712,618</u>	<u>—</u>	<u>(1,496,135,885)</u>
Capital assets, net	<u>\$ 4,382,735,130</u>	<u>32,034,916</u>	<u>(4,658,675)</u>	<u>—</u>	<u>4,410,111,371</u>
	2018				Balance at June 30, 2018
	Balance at June 30, 2017	Additions	Disposals	Transfers	
Capital assets not being depreciated:					
Land	\$ 198,684,166	145,690	—	—	198,829,856
Construction in process	496,035,201	144,141,156	(3,019,674)	(184,233,493)	452,923,190
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	<u>695,237,367</u>	<u>144,286,846</u>	<u>(3,019,674)</u>	<u>(184,233,493)</u>	<u>652,271,046</u>
Capital assets being depreciated:					
Land improvements	454,491,371	—	—	7,013,099	461,504,470
Buildings	4,208,031,711	174,904	—	176,870,394	4,385,077,009
Furniture, fixtures, and equipment	156,906,548	37,898,080	(390,512)	350,000	194,764,116
Infrastructure	7,127,341	—	—	—	7,127,341
Total capital assets being depreciated	<u>4,826,556,971</u>	<u>38,072,984</u>	<u>(390,512)</u>	<u>184,233,493</u>	<u>5,048,472,936</u>
Total capital assets	5,521,794,338	182,359,830	(3,410,186)	—	5,700,743,982
Less accumulated depreciation	<u>(1,148,699,123)</u>	<u>(169,700,241)</u>	<u>390,512</u>	<u>—</u>	<u>(1,318,008,852)</u>
Capital assets, net	<u>\$ 4,373,095,215</u>	<u>12,659,589</u>	<u>(3,019,674)</u>	<u>—</u>	<u>4,382,735,130</u>

Capitalized Interest

Included in additions to capital assets is \$21,699,761 and \$21,547,003 of capitalized interest for the years ended June 30, 2019 and 2018, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

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(5) Lease Commitments

The District leases various assets, as lessee, under operating and capital lease agreements. Lease payments under these leases (including month-to-month leases) approximating \$4,163,056 and \$3,857,610 for the years ended June 30, 2019 and 2018, respectively, have been reported in the accompanying statements of revenue, expenses, and changes in net position as operating and capital expenditures.

At June 30, 2019, minimum capital lease commitments under long-term lease contracts were as follows:

Year ending June 30:		
2020	\$	123,279
2021		23,244
2022		<u>7,861</u>
Total	\$	<u><u>154,384</u></u>

(6) Employee Retirement Systems

Qualified employees are covered under multiple-employer, defined-benefit pension plans maintained by agencies of the State. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). In addition, certificated employees not participating in the State Teachers' Defined Benefit Plan may participate in the California State Teachers' Cash Balance Benefit Program, the Public Agency Retirement Systems (PARS-ARS), or Social Security. On September 2, 2003, the District offered to every adjunct faculty member, who is not a mandatory CalSTRS Defined Benefit Program member, the CalSTRS Cash Balance Benefit Program.

(a) California State Teachers' Retirement System

CalSTRS includes full-time certificated employees and hourly adjuncts who permissively elect to participate in CalSTRS. An actuarial valuation by employer is currently not available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Employees who were hired prior to January 1, 2013, attaining the age of 60 with five years of credited California service, are eligible for normal retirement and are entitled to a monthly benefit of 2% of their final compensation for each year of service. Final compensation is defined as the highest average salary earned during three consecutive years of service or highest year if the member has more than 25 years of CalSTRS service credit. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90% of final compensation are available to members with five years of service. A family benefit is available if the deceased member had at least one year of service and was an active member or on disability leave. After five years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated in the first five years, only the accumulated member contributions and interest earned on those contributions are refundable.

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Under the California Public Employees' Pension Reform Act of 2013 (AB340 or PEPRA), effective January 1, 2013, new CalSTRS members are required to be under a new defined-benefit formula of 2% at age 62. The law establishes a limit on compensation that is counted toward calculating a member's pension. For new CalSTRS members on or after January 1, 2013 who, like existing members, are not covered by Social Security, the initial limit is 120% of 2013 Social Security wages. It also limits postretirement public employment.

In June 2014, the legislature passed and the governor signed into law assembly Bill 1469, which establishes a statutory solution to fully fund the CalSTRS Defined Benefit Program.

The initial increases in employee, employer, and state contributions took effect July 1, 2014 and will continue to rise incrementally over the next several fiscal years. Member contribution increases will be phased in over the next three years and increase by an additional 2.25% of payroll for CalSTRS 2% at 60 members and an additional 1.205% for CalSTRS 2% at 62 members.

Employer contributions will increase from 8.25% to a total of 19.1% of payroll, phased in from 2013–14 to 2020–21. The state's total contribution to the Defined Benefit Program as a nonemployer contributing entity will increase incrementally from 3.041% in fiscal year 2013–14 to a total of 7.328% of payroll in fiscal year 2018–2019.

Benefit provisions for CalSTRS are established by the State Teachers' Retirement Law (Part 13 of the California Education Code, Section 22000 et seq.). CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the annual financial report may be obtained from the CalSTRS website at <http://www.calstrs.com/comprehensive-annual-financial-report>.

State Teachers' Retirement System – Defined Benefit and Cash Balance Benefit Program

On September 2, 2003, the District implemented the Cash Balance program and offered it to its adjunct faculty who are not mandatory CalSTRS Defined Benefit Program members. In addition, adjunct faculty have the option of participating in one of the following three retirement plans: CalSTRS Defined Benefit Program, The Public Agency Retirement System (PARS-ARS), or Social Security.

(b) California Public Employees' Retirement System

CalPERS includes full-time classified employees and hourly employees who exceed 1,000 hours in a fiscal year participate in CalPERS, a cost-sharing, multiple-employer contributory public employee retirement system defined-benefit pension plan. The District participates in a cost-sharing pool within CalPERS. An actuarial valuation by employer is not currently available. One actuarial valuation is performed for those employers participating in the pool and the same contribution rate applies to each.

Employees who were hired prior to January 1, 2013 are eligible for retirement at the age of 50 with five years of service and are entitled to a monthly benefit of 1.1% of final compensation for each year of service credit. The rate is increased if retirement is deferred beyond the age of 50, up to age 63.

The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the fund, members' accumulated contributions and interest earned on those funds are refundable through the date of separation.

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Under the California Public Employees' Pension Reform Act of 2013 (AB340 or PEPR), effective January 1, 2013, all new miscellaneous (nonsafety) members will be under a new defined benefit formula of a monthly benefit of 2% of their final compensation at age 62, with an early retirement age of 52 and a maximum benefit factor of 2.5% at age 67. Final compensation means the highest average annual pensionable compensation earned by a member during a period of at least 36 consecutive months, or three school years, as applicable.

In addition, the following provisions will apply to new CalPERS members:

- Pensionable compensation cap – Caps the annual salary that can be used to calculate final compensation for all new school members at \$132,900 (2019 Social Security Contribution and Benefit Base) for employees that participate in Social Security or \$149,016 for those employees that do not participate in Social Security. Adjustments to the caps are permitted annually based on changes to the CPI for all urban consumers.
- Equal sharing of normal cost – For school's employers, a new member's initial contribution rate will be at least 50% of the total normal cost rate or the current contribution rate of similarly situated employees, whichever is greater (currently, PEPR members contribute 7.0% and non-PEPR members, 7.0%).

The new pension reform also prohibits the purchase of nonqualified service credit on or after January 1, 2013 and limits postretirement public employment. CalPERS retirees cannot serve, be employed by, or be employed through a contract directly by a CalPERS employer unless he or she reinstates.

Benefit provisions for CalPERS are established by the Public Employees' Retirement Law (Part 3 of the California Government Code, Section. 20000 et seq.). CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the annual financial report may be obtained from the CalPERS website at <https://www.calpers.ca.gov/page/forms-publications>.

Public Agency Retirement System – Alternate Retirement System

The Omnibus Budget Reconciliation Act of 1990 (Section 11332) extends the Social Security tax to state and local government employees not participating in a qualified public retirement system. Internal Revenue Code 3121(b)(7)(F) proposed regulations allow employers to establish an alternative retirement system in lieu of Social Security taxes. Such an alternative system was authorized on June 26, 1991 to be established by the end of calendar year 1991 for certain employees not participating in CalSTRS or CalPERS.

On December 4, 1991, the District's board of trustees adopted PARS-ARS, a defined-contribution plan qualifying under Sections 401(a) and 501 of the Internal Revenue Code, effective January 1, 1992, for the benefit of employees not participating in CalSTRS or CalPERS who were employed on that date or hired thereafter. The District has appointed Phase 11 Systems in which Imperial Trust Company serves as the trustee, to manage the assets of the PARS-ARS plan and serves as the trust administrator.

Total contributions to PARS-ARS are 7.50%. The employer contribution is 4.00% and the employee contribution is 3.50%. Contributions are vested 100.00% for employees. Employees can receive their

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funds after 24 months if they change retirement plans, when they retire, become disabled, or terminate employment. If they die, their beneficiary(s) then get the employee's funds.

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported a net pension liability of \$317,928,714 and \$424,610,340 for its proportionate share of the CalPERS and CalSTRS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liabilities were determined based on actuarial valuations as of June 30, 2017. The District's proportion of the CalPERS and CalSTRS net pension liability was calculated based on its proportionate share of total employer contributions to CalPERS and CalSTRS of 1.192% and 0.462%, respectively.

As of June 30, 2018, the District reported a net pension liability of \$300,437,166 and \$444,828,800 for its proportionate share of the CalPERS and CalSTRS net pension liabilities. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities were determined based on actuarial valuations as of June 30, 2016. The District's proportion of the CalPERS and CalSTRS net pension liability was calculated based on its proportionate share of total employer contributions to CalPERS and CalSTRS of 1.238% and 0.481%, respectively.

For the year ended June 30, 2019 and 2018, the District recognized an aggregate pension expense of \$110,579,547 and 104,182,045, respectively. At June 30, 2019 and 2018, the District reported aggregate deferred outflows and deferred inflows of resources related to pensions from the following sources:

	June 30, 2019		
	CalPERS deferred outflows of resources	CalSTRS deferred outflows of resources	Total deferred outflows of resources – pensions
District retirement contribution subsequent to the measurement date	\$ 29,667,257	37,870,568	67,537,825
Changes in assumptions used	31,743,780	65,964,360	97,708,140
Difference between expected and actual experience	20,842,242	1,316,700	22,158,942
Net difference between projected and actual earnings on pension plan investments	2,607,729	—	2,607,729
Change in the District's proportionate share	<u>(7,622,763)</u>	<u>(3,383,364)</u>	<u>(11,006,127)</u>
Total deferred outflows of resources – pensions	<u>\$ 77,238,245</u>	<u>101,768,264</u>	<u>179,006,509</u>

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	June 30, 2018		
	CalPERS deferred outflows of resources	CalSTRS deferred outflows of resources	Total deferred outflows of resources – pensions
District retirement contribution subsequent to the measurement date	\$ 24,880,057	36,046,753	60,926,810
Changes in assumptions used	43,805,841	82,409,730	126,215,571
Difference between expected and actual experience	10,763,425	1,645,020	12,408,445
Net difference between projected and actual earnings on pension plan investments	10,393,071	—	10,393,071
Change in the District's proportionate share	<u>2,541,591</u>	<u>12,914,611</u>	<u>15,456,202</u>
Total deferred outflows of resources – pensions	<u>\$ 92,383,985</u>	<u>133,016,114</u>	<u>225,400,099</u>

	June 30, 2019		
	CalPERS deferred inflows of resources	CalSTRS deferred inflows of resources	Total deferred inflows of resources – pensions
Changes in assumptions used	\$ —	6,167,700	6,167,700
Difference between expected and actual experience	—	—	—
Net difference between projected and actual earnings on pension plan investments	<u>—</u>	<u>16,350,180</u>	<u>16,350,180</u>
Total deferred inflows of resources – pensions	<u>\$ —</u>	<u>22,517,880</u>	<u>22,517,880</u>

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	<u>June 30, 2018</u>		
	<u>CalPERS deferred inflows of resources</u>	<u>CalSTRS deferred inflows of resources</u>	<u>Total deferred inflows of resources – pensions</u>
Changes in assumptions used	\$ 3,537,276	—	3,537,276
Difference between expected and actual experience	—	7,758,530	7,758,530
Net difference between projected and actual earnings on pension plan investments	—	11,847,030	11,847,030
Total deferred inflows of resources – pensions	<u>\$ 3,537,276</u>	<u>19,605,560</u>	<u>23,142,836</u>

The deferred outflows of resources related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The deferred inflows of resources and deferred outflows of resources related to changes in assumptions used, the difference between expected and actual experience, the net difference between projected and actual earnings on pension plan investments, and the change in the District's proportion will be recognized in pension expense during the next seven years as follows:

Year ending June 30:	
2020	\$ 48,022,265
2021	33,041,104
2022	(3,254,242)
2023	2,799,589
2024	10,480,637
Thereafter	<u>(2,138,549)</u>
Total	<u>\$ 88,950,804</u>

(d) Contributions Required and Contributions Made

For fiscal year 2018-19, the District was required by statute to contribute 16.28%, 18.062%, 4.00%, and 4.00% of gross salary expenditures to CalSTRS, CalPERS (pooled), Cash Balance, and PARS-ARS, respectively. Participants are required to contribute 10.25%, 7.00%, 4.00%, and 3.50% of gross salary to CalSTRS, CalPERS, Cash Balance, and PARS, respectively, for the year ended June 30, 2019. All CalPERS participants are required to contribute 7% of gross salary to CalPERS as of fiscal year 2018-19. As of June 30, 2019, 71.00% and 70.80% of the District's net pension liabilities for CalSTRS and CalPERS are funded, respectively.

For fiscal year 2017-18, the District was required by statute to contribute 14.43%, 15.53%, 4.00% and 4.00% of gross salary expenditures to CalSTRS, CalPERS (pooled), Cash Balance, and PARS-ARS, respectively. Participants are required to contribute 10.25%, 7.00%, 4.00%, and 3.50% of gross salary

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

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to CalSTRS, CalPERS, Cash Balance, and PARS, respectively, for the year ended June 30, 2018. All CalPERS participants are required to contribute 7% of gross salary to CalPERS as of fiscal year 2017-18. As of June 30, 2018, 72% and 69% of the District's net pension liabilities for CalSTRS and CalPERS are funded, respectively.

The District's contributions for the years ended June 30, 2019, 2018, and 2017 are as follows:

	<u>Contributions</u>	<u>Percentage of required contributions</u>
CalSTRS:		
2019	\$ 37,869,979	100 %
2018	36,046,753	100
2017	31,495,282	100
CalPERS:		
2019	\$ 29,667,257	100 %
2018	24,880,057	100
2017	22,483,144	100
Cash balance CalSTRS:		
2019	\$ 2,341,638	100 %
2018	2,354,997	100
2017	2,245,083	100
PARS-ARS:		
2019	\$ 721,896	100 %
2018	765,259	100
2017	738,091	100

The District's employer contributions to CalSTRS, CalPERS, Cash Balance, and PARS-ARS met the required contribution rate established by law for the years ended June 30, 2019, 2018 and 2017.

(e) Actuarial Methods and Assumptions

The actuarial valuations involve the use of estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the types of benefits provided and the pattern of cost sharing between the District and plan members at the time of each valuation. The projection of these benefits is for financial reporting purposes only and does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the District and plan members in the future.

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The total pension liability was determined using the following actuarial assumptions:

	June 30, 2019	
	CalSTRS	CalPERS
Measurement date	June 30, 2018	June 30, 2018
Valuation date	June 30, 2017	June 30, 2017
Actuarial assumptions:		
Discount rate	7.10 %	7.15 %
Inflation	2.75%	2.625%
Payroll growth	3.50%	2.875%
Projected salary increase	Varies by entry age and service	Varies by entry age and service
Investment rate of return	7.10 %	7.00 %

	June 30, 2018	
	CalSTRS	CalPERS
Measurement date	June 30, 2017	June 30, 2017
Valuation date	June 30, 2016	June 30, 2016
Actuarial assumptions:		
Discount rate	7.10 %	7.15 %
Inflation	2.75	2.75
Payroll growth	3.00	3.00
Projected salary increase	Varies by entry age and service	Varies by entry age and service
Investment rate of return	7.60 %	7.50 %

(f) Mortality Assumptions

(i) CalSTRS

CalSTRS mortality assumptions are based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scale to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016 table, issued by the Society of Actuaries).

(ii) CalPERS

The CalPERS mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board in December 2017 for the 2017 valuation and the CalPERS experience study adopted by the CalPERS Board in April 2014 for the 2016 valuation. For purposes of the postretirement mortality rates for the 2017 valuation, the rates include 15 years of projected ongoing mortality improvements using 90% of Scale MP 2016

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Notes to Basic Financial Statements

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published by the Society of Actuaries. For purposes of the postretirement mortality rates for the 2016 valuation, the rates include 20 years of projected ongoing mortality improvements using Scale BB published by the Society of Actuaries. Further details of the experience studies can be found on the CalPERS website.

(g) Discount Rate

(i) CalSTRS

An analysis of future cash flows including contributions, investment returns, administrative expenses, and benefit payments was performed by a CalSTRS external actuary. The actuary determined that CalSTRS assets will be sufficient to pay all future benefit payments. Therefore, a blended discount rate was not used to calculate the NPL at June 30, 2018 and 2017, and the assumed investment rate of return, gross of administrative expenses, 7.1%, was used to discount all future benefits.

The long-term expected rate of return on pension plan investments of 7.1% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

(ii) CalPERS

To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans are would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments of 7.15% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

(h) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District for each plan, calculated using the discount rate for each plan, as well as what the District's net pension liability would be if it were

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calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
1% decrease	6.10 %	6.15 %	
Net pension liability	\$ 622,004,460	462,888,994	1,084,893,454
Current discount rate	7.10 %	7.15 %	
Net pension liability	\$ 424,610,340	317,928,713	742,539,053
1% increase	8.10 %	8.65 %	
Net pension liability	\$ 260,951,460	197,663,397	458,614,857

(i) Rate of Return

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

	<u>New strategic allocations</u>	<u>Long-term rate of return</u>
CalPERS – asset class:		
Global equity	47 %	6.30 %
Fixed income	12	0.30
Private equity	13	9.30
Real estate	13	5.20
Risk Mitigating Strategies	9	2.90
Inflation sensitive	4	3.80
Cash	2	(1.00)
	<hr/>	
Total	<u>100 %</u>	

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	<u>New strategic allocations</u>	<u>Long-term rate of return</u>
CalSTRS – asset class:		
Global equity	50 %	5.98 %
Global fixed income	28	2.62
Inflation sensitive	—	1.81
Private equity	8	7.23
Real estate	13	4.93
Infrastructure and forestland	—	—
Liquidity	<u>1</u>	(0.92)
Total	<u>100 %</u>	

(7) Other Postemployment Benefits

The District provides postemployment healthcare benefits for eligible employees who retire with CalPERS or CalSTRS pension benefits within 120 days of termination of employment from the District through the Los Angeles Community College District Postretirement Health Benefits Plan (the Plan). The Plan is an agent multiple-employer OPEB plan, and obligations of the plan members and the District are based on negotiated contracts with the various bargaining units of the District.

Effective, July 1, 2017, the District adopted GASB Statement No. 75 based on a measurement date of June 30, 2017 and a measurement period of July 1, 2016 to June 30, 2017 for the FY 2018 OPEB amounts. The July 1, 2017 valuation was also used rolled forward the OPEB amounts to the June 30, 2018 measurement date for the FY 2019 OPEB amounts.

(a) Plan Description

Retirees receiving a pension from either CalSTRS or CalPERS are eligible for District paid healthcare benefits. The portion paid by the District depends on the employees date of hire and their benefit eligibility service as follows:

	<u>Years of service</u>	<u>Premium paid by the District</u>
Hire date:		
Before 2/11/1992	3	100 %
Between 2/11/1992 and 6/30/1998	7	100
On or after 7/1/1998	10 to less than 15	50
On or after 7/1/1998	15 to less than 20	75
On or after 7/1/1998	20 and more	100

The retirement eligibility for CalPERS retirees is a minimum age of 50 and 5 years of service. The retirement eligibility for CalSTRS retirees is a minimum age of 55 and 5 years of service or a minimum age of 50 with 30 years of service.

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Employees subject to a 2001 agreement between the District and the District's Police Officer's Association may be eligible to receive benefits through Los Angeles County Employees Retirement Association (LACERA) that are paid by the District. Such eligible retirees shall receive medical, dental, and vision benefits. The District pays 100% of LACERA's premiums reduced by 4% for each year of service under LACERA up to 25 years. This reduction only applies to employees with more than 10 years of service under LACERA.

Employees that are not eligible for District paid contributions are still eligible for retiree coverage under California Assembly Bill 528 (AB528). At retirement, such retirees must pay for coverage at a rate based on blended active and retiree costs. As of the latest actuarial study, AB528 retiree contributions are expected to cover all costs; accordingly, no liabilities are calculated.

The retirement health benefit continues for the lifetime of a surviving spouse and for other dependents as long as they are entitled to coverage under pertinent eligibility rules.

Currently, the District has about 4,300 active employees who are eligible for postretirement health benefits and about 3,300 retirees and surviving spouses who receive postretirement health benefits.

(b) Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay as you go financing requirements. Additionally, the District's board of trustees adopted a resolution dated April 23, 2008 (com No. BF2) to establish an irrevocable trust with CalPERS to prefund a portion of retiree health benefit costs.

The trust is to be funded with annual contributions by the District of approximately 1.92% of the total full-time salary expenditures in the District. The District deposited \$6,366,190 and \$6,535,564 to the irrevocable trust with CalPERS during FY 2019 and FY 2018, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

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(c) Reconciliation of Net OPEB Liability

Included in the table below are details regarding the total OPEB Liability, plan fiduciary net position, and net OPEB liability for the measurement period from July 1, 2017 to June 30, 2018:

	Increase (decrease)		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
Balance recognized at June 30, 2018	\$ 690,480,715	98,669,276	591,811,439
Changes recognized for the fiscal year:			
Service cost	18,702,117	—	18,702,117
Interest on the total OPEB liability	36,830,247	—	36,830,247
Changes of assumptions	(20,557,426)	—	(20,557,426)
Benefit payments	(28,918,351)	(28,918,351)	—
Contributions from the employer	—	35,453,915	(35,453,915)
Net investment income	—	8,189,050	(8,189,050)
Administrative expense	—	(54,119)	54,119
Net changes	<u>6,056,587</u>	<u>14,670,495</u>	<u>(8,613,908)</u>
Balance recognized at June 30, 2019	<u>\$ 696,537,302</u>	<u>113,339,771</u>	<u>583,197,531</u>

The table below shows the details regarding total OPEB liability, plan fiduciary net position, and net OPEB liability for the measurement period from July 1, 2016 to June 30, 2017.

	Increase (decrease)		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
Balance recognized at June 30, 2017	\$ 733,358,891	83,437,088	649,921,803
Changes recognized for the fiscal year:			
Service cost	22,086,708	—	22,086,708
Interest on the total OPEB liability	34,243,769	—	34,243,769
Changes of assumptions	(76,926,472)	—	(76,926,472)
Benefit payments	(22,282,181)	(22,282,181)	—
Contributions from the employer	—	28,346,435	(28,346,435)
Net investment income	—	9,213,372	(9,213,372)
Administrative expense	—	(45,438)	45,438
Net changes	<u>(42,878,176)</u>	<u>15,232,188</u>	<u>(58,110,364)</u>
Balance recognized at June 30, 2018	<u>\$ 690,480,715</u>	<u>98,669,276</u>	<u>591,811,439</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

The following table illustrates the impact of interest rate sensitivity on the net OPEB liability for fiscal year ended June 30, 2019:

	<u>1% decrease (4.50%)</u>	<u>Current rate (5.50%)</u>	<u>1% increase (6.50%)</u>
Total OPEB liability	\$ 809,432,648	696,537,302	606,345,310
Plan fiduciary net position	<u>113,339,771</u>	<u>113,339,771</u>	<u>113,339,771</u>
Net OPEB liability	\$ <u>696,092,877</u>	<u>583,197,531</u>	<u>493,005,539</u>

The following table illustrates the impact of interest rate sensitivity on the net OPEB liability for fiscal year ended June 30, 2018:

	<u>1% decrease (4.50%)</u>	<u>Current rate (5.50%)</u>	<u>1% increase (6.50%)</u>
Total OPEB liability	\$ 804,439,981	690,480,715	599,706,541
Plan fiduciary net position	<u>98,669,276</u>	<u>98,669,276</u>	<u>98,669,276</u>
Net OPEB liability	\$ <u>705,770,705</u>	<u>591,811,439</u>	<u>501,037,265</u>

The following table illustrates the impact of healthcare cost trend sensitivity on the net OPEB liability for fiscal year ended June 30, 2019:

	<u>1% decrease</u>	<u>Trend rate</u>	<u>1% increase</u>
Total OPEB liability	\$ 594,415,884	696,537,302	826,916,205
Plan fiduciary net position	<u>113,339,771</u>	<u>113,339,771</u>	<u>113,339,771</u>
Net OPEB liability	\$ <u>481,076,113</u>	<u>583,197,531</u>	<u>713,576,434</u>

The following table illustrates the impact of healthcare cost trend sensitivity on the net OPEB liability for fiscal year ended June 30, 2018:

	<u>1% decrease</u>	<u>Trend rate</u>	<u>1% increase</u>
Total OPEB liability	\$ 593,183,410	690,480,715	814,647,365
Plan fiduciary net position	<u>98,669,276</u>	<u>98,669,276</u>	<u>98,669,276</u>
Net OPEB liability	\$ <u>494,514,134</u>	<u>591,811,439</u>	<u>715,978,089</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

(d) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expenses of \$29,624,101. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Net difference between expected and actual earnings on OPEB plan investments	\$ —	(2,368,043)
Assumption changes	—	(65,537,681)
Contributions made in fiscal year ended June 30, 2019 after measurement date	<u>35,413,966</u>	<u>—</u>
Total	<u>\$ 35,413,966</u>	<u>(67,905,724)</u>

For the year ended June 30, 2018, the District recognized OPEB expenses of \$35,357,701. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Net difference between expected and actual earnings on OPEB plan investments	\$ —	(2,336,054)
Assumption changes	—	(62,785,576)
Contributions made in fiscal year ended June 30, 2019 after measurement date	<u>26,489,654</u>	<u>—</u>
Total	<u>\$ 26,489,654</u>	<u>(65,121,630)</u>

The deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. All other deferred outflows of resources and deferred inflows of resources related to OPEB above will be recognized in OPEB expense as follows:

Year ending June 30:	
2020	\$ (18,543,334)
2021	(18,543,334)
2022	(18,543,334)
2023	(10,040,419)
2024	<u>(2,235,303)</u>
Total	<u>\$ (67,905,724)</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

(e) Actuarial Assumptions

The total OPEB liability at June 30, 2019 and 2018, was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	Actuarial assumptions
Discount rate	5.50%
Expected long-term return on assets	7.28%
Payroll increases	3.0%
Inflation	2.75%
Health care cost trend	4.0% for dental and vision. 7.9% for medical pre-medicare and 8.8% for medicare eligible decreasing 0.4 to 0.6% per year to an ultimate rate of 5.0% for
Plan participation	year 2025 and later years Ranges from 40% to 100% based on benefits

(f) Discount Rate

An analysis of future cash flows including contributions, investment returns, administrative expenses, and benefit payments was performed by an external actuary. The actuary determined that the Districts assets will not be sufficient to pay all future benefit payments starting in fiscal year 2050. Therefore, a blended discount rate of 5.50% was used to calculate the Net OPEB Liability at June 30, 2019. The blended rate included the assumed investment rate of return of 7.28% through fiscal year 2052 and a 20-year municipal bond rate of 3.87% through fiscal year 2115. A blended discount rate of 5.30% was used to calculate the Net OPEB Liability at June 30, 2018. The blended rate included the assumed investment rate of return of 7.28% through fiscal year 2051 and a 20-year municipal bond rate of 3.53% through fiscal year 2115.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

(g) Long-Term expected rate of return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Global equity	59 %	4.82 %
Fixed income	25	1.10
TIPS	5	0.25
Commodities	3	1.50
REITs	8	3.20
Total	100 %	

(h) Mortality Assumptions

(i) CalSTRS

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scale to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016 table, issued by the Society of Actuaries).

(ii) CalPERS

The CalPERS mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS board in April 2014. For purposes of the postretirement mortality rates, the rates include 20 years of projected ongoing mortality improvements using Scale BB, published by the Society of Actuaries. Further details of the experience study can be found on the CalPERS website.

(i) Other Benefits

Effective January 1, 2010, the District provided an annual contribution of \$1,500 to benefit active employees and pre-Medicare retirees into a health reimbursement account (HRA) except for FY 2016-2017. Contributions made by the District were \$5.9M and \$6.1 for fiscal year ended June 30, 2018 and June 30, 2019, respectively.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

(8) Commitments and Contingencies

The District receives a substantial portion of its total revenue under various governmental grants, all of which pay the District based on reimbursable cost as defined by each grant. Reimbursement recorded under these grants is subject to audit by the grantors. Management believes that no material adjustments will result from the subsequent audit of costs reflected in the accompanying basic financial statements.

The District is a defendant in various lawsuits at June 30, 2019. Although the outcome of these lawsuits is not presently determinable, in the opinion of management based in part on the advice of counsel, the resolution of these matters will not have a material adverse effect on the basic financial condition of the District or is adequately covered by insurance.

The District has entered into various contracts for the construction of facilities throughout the campuses. At June 30, 2019, the total value of these outstanding commitments is \$265,332,539.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

(9) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2019 and 2018:

	Balance at June 30, 2018	2019		Balance at June 30, 2019	Due within one year
		Additions	Deletions		
General Obligation Bonds:					
2004 Series A and B	\$ 33,670,000	—	—	33,670,000	—
2006 Series E	—	—	—	—	—
2007 Series A	—	—	—	—	—
2008 Series E1 and F1	15,155,000	—	(15,155,000)	—	—
2009 Series A and B	75,000,000	—	—	75,000,000	—
2010 Series C, D, and E	1,025,000,000	—	—	1,025,000,000	—
2013 Series F	205,000,000	—	(3,000,000)	202,000,000	3,000,000
2013 Refunding Bond	42,305,000	—	(3,360,000)	38,945,000	3,535,000
Measure J 2015 Series G	218,205,000	—	(6,135,000)	212,070,000	6,345,000
Proposition A, AA and Measure J 2015 Refunding Series A	1,446,665,000	—	(17,230,000)	1,429,435,000	34,245,000
2015 Proposition A, and AA Refunding Series B	33,270,000	—	(4,440,000)	28,830,000	4,525,000
Proposition A 2015 Refunding Series C	272,085,000	—	(19,935,000)	252,150,000	22,135,000
Measure J 2016 Series I	223,910,000	—	(13,340,000)	210,570,000	13,210,000
Measure J 2017 Series J	300,000,000	—	(52,245,000)	247,755,000	7,875,000
Measure CC 2017 Series A-1 and A-2	100,000,000	—	(100,000,000)	—	—
Measure J 2016 Refunding	175,565,000	—	(600,000)	174,965,000	620,000
Unamortized bond premiums	371,318,186	—	(24,961,477)	346,356,709	24,876,864
Pension obligations	745,265,966	—	(2,726,912)	742,539,054	—
OPEB obligations	591,811,439	26,840,007	(35,453,915)	583,197,531	—
Supplemental retirement plan	22,260,272	—	(5,565,068)	16,695,204	5,565,068
Workers' compensation liabilities	38,700,000	3,527,484	(4,440,484)	37,787,000	4,440,484
General liabilities	7,991,000	10,246,847	(5,873,847)	12,364,000	5,873,847
Compensated absences	17,058,042	10,341,253	(9,350,814)	18,048,481	9,350,814
Capital lease obligations	586,795	—	(450,303)	136,492	108,523
Total	\$ 5,960,821,700	50,955,591	(324,262,820)	5,687,514,471	145,705,600

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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June 30, 2019 and 2018

	2018				
	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Due within one year
General Obligation Bonds:					
2004 Series A and B	\$ 33,670,000	—	—	33,670,000	—
2006 Series E	—	—	—	—	—
2007 Series A	4,880,000	—	(4,880,000)	—	—
2008 Series E1 and F1	28,760,000	—	(13,605,000)	15,155,000	15,155,000
2009 Series A and B	75,000,000	—	—	75,000,000	—
2010 Series C, D, and E	1,025,000,000	—	—	1,025,000,000	—
2013 Series F	209,000,000	—	(4,000,000)	205,000,000	3,000,000
2013 Refunding Bond	45,505,000	—	(3,200,000)	42,305,000	3,360,000
Measure J 2015 Series G	224,160,000	—	(5,955,000)	218,205,000	6,135,000
Proposition A, AA and Measure J 2015 Refunding Series A	1,459,300,000	—	(12,635,000)	1,446,665,000	17,230,000
2015 Proposition A, and AA Refunding Series B	37,655,000	—	(4,385,000)	33,270,000	4,440,000
Proposition A 2015 Refunding Series C	289,955,000	—	(17,870,000)	272,085,000	19,935,000
Measure J 2016 Series I	237,250,000	—	(13,340,000)	223,910,000	13,340,000
Measure J 2017 Series J	—	300,000,000	—	300,000,000	52,245,000
Measure CC 2017 Series A-1 and A-2	—	100,000,000	—	100,000,000	100,000,000
Measure J 2016 Refunding	177,745,000	—	(2,180,000)	175,565,000	600,000
Unamortized bond premiums	366,004,503	30,401,814	(25,088,131)	371,318,186	24,961,474
Pension obligations	640,982,552	104,283,414	—	745,265,966	—
OPEB obligations	99,774,744	492,036,695	—	591,811,439	—
Supplemental retirement plan	26,374,728	1,450,612	(5,565,068)	22,260,272	5,565,068
Workers' compensation liabilities	37,073,000	5,907,371	(4,280,371)	38,700,000	4,280,371
General liabilities	6,448,000	4,677,102	(3,134,102)	7,991,000	3,134,102
Compensated absences	18,325,776	7,379,963	(8,647,697)	17,058,042	8,647,697
Capital lease obligations	1,088,339	—	(501,544)	586,795	450,303
Total	\$ 5,043,951,642	1,046,136,971	(129,266,913)	5,960,821,700	282,479,015

(a) General Obligation Bonds

The voters have passed four G.O. bond measures, which were designed to finance construction, building and equipment acquisition, capital improvement programs for each of the nine colleges and the Educational Service Center, and refinance other outstanding debts. On April 10, 2001, the voters of the County passed Proposition A, a \$1.2 billion G.O. bond measure. On May 20, 2003, the voters of the County passed Proposition AA, a \$980 million G.O. bond measure. On November 4, 2008, the voters of the County passed Measure J, a \$3.5 billion G.O. bond measure. On November 8, 2016 the voters of the County passed Measure CC, a \$3.3 billion G.O. bond measure.

During FY2019, the District did not issue any new G.O. Bond. The District has issued to date all the authorized amounts of Proposition A and Proposition AA, \$2.825 billion of Measure J, and \$100 million of Measure CC. The G.O. Bond measures were issued with interest ranging from 0.846% to 7.53%. The effective interest rate at the financial statement date is 4.73%.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

The deferred outflows of resources (cash provided to escrow to cover part of interest) related to the G. O. Bonds Refunded Bonds will be recognized in interest expense on capital asset-related debt over the life of the refunded bonds, as follows:

June 30:		
2020	\$	10,173,253
2021		10,173,253
2022		10,173,253
2023		10,173,253
2024		10,173,253
Thereafter		<u>102,850,867</u>
	\$	<u><u>153,717,132</u></u>

Total debt service requirements to maturity of the G.O. bonds at June 30, 2019 are as follows:

	Total G.O. bond debt service		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2020	\$ 95,490,000	199,646,575	295,136,575
2021	88,405,000	195,507,629	283,912,629
2022	95,160,000	191,182,607	286,342,607
2023	110,900,000	186,424,676	297,324,676
2024	120,250,000	181,108,659	301,358,659
2025–2029	777,460,000	801,823,572	1,579,283,572
2030–2034	1,075,355,000	568,177,548	1,643,532,548
2035–2039	557,695,000	382,433,473	940,128,473
2040–2044	450,905,000	255,141,383	706,046,383
2045–2049	455,125,000	114,478,819	569,603,819
2050	<u>103,645,000</u>	<u>3,498,019</u>	<u>107,143,019</u>
Total	\$ <u><u>3,930,390,000</u></u>	<u><u>3,079,422,960</u></u>	<u><u>7,009,812,960</u></u>

The County levies property taxes in order to make G.O. bond principal and interest payments on behalf of the District.

As part of the District's owner-controlled insurance program (OCIP Program) to provide insurance for certain contractors building projects for the District, the District is a party to that certain multi-line deductible agreement with insurance companies to cover certain workers compensation and general liability claims against the District and its contractors. The insurance required that the District provides irrevocable letter of credit as a security for the District's obligations with respect to the insurance agreements. As of June 30, 2019, the District has a total of \$28,983,507 of irrevocable line of credits from Bank of America and no outstanding balance.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

If an event of default shall have occurred and be continuing, the District shall deposit with the bank, on demand and as cash security of the District's obligations to the bank under these agreements, an amount equal to the stated amount of the letter of credit. Although there is no required collateral for this standby letter of credit, the District has set up an escrow account and trust agreement to pay for workers' compensation claims and general liability claims in connection with bond funded projects. At June 30, 2019, this escrow account has a deposit balance of \$25,912,533.

(10) Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for up to a maximum of \$1,000,000 for each workers' compensation claim, \$1,000,000 per employment practices claims, and \$1,000,000 for each general liability claim.

The District currently reports all of its risk management activities in the accompanying statements of net position. The balance of all outstanding workers' compensation and incurred general liability claims is estimated based on information provided by an outside actuarial study performed in 2019. The amount of the outstanding liability at June 30, 2019 and 2018 includes estimates of future claim payments for known cases as well as provisions for incurred-but-not-reported claims and adverse development on known cases, which occurred through that date.

Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using an expected future investment yield assumption of 1.5%.

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2019 and 2018 were as follows:

	2019			
	Balance at July 1, 2018	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2019
Workers' compensation	\$ 38,700,000	3,527,484	(4,440,484)	37,787,000
General liability	7,991,000	10,246,847	(5,873,847)	12,364,000

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

June 30, 2019 and 2018

	2018			
	Balance at July 1, 2017	Current year claims and changes in estimates	Claim payments	Balance at June 30, 2018
Workers' compensation	\$ 37,073,000	5,907,371	(4,280,371)	38,700,000
General liability	6,448,000	4,677,102	(3,134,102)	7,991,000

During the years ended June 30, 2019 and 2018, the District made total payments of insurance premiums of approximately \$4,223,032 and \$3,356,480, respectively, for general liability and workers' compensation claims.

(11) Subsequent Events

On November 14, 2019, Moody's upgraded the District's outstanding GO bond ratings to Aaa from Aa1 while S&P has affirmed the District's AA+ rating. Both agencies affirmed a stable outlook.

On November 26, 2019 the District has posted its Preliminary Official Statement in its preparation to issue \$300 million Tax-Exempt Measure J bonds, \$150 million Tax-Exempt Measure CC bonds, and \$100 million Federally Taxable Measure CC bonds in December 2019.

REQUIRED SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of the District Proportionate Share of the Net Pension Liability and
 Schedule of District Contributions

Year ended June 30, 2019

(Unaudited)

Schedule of the District's proportionate share of the net pension liability

CalSTRS and CalPERS pension plans

Last 10 fiscal years*

	2019		2018	
	CalPERS	CalSTRS	CalPERS	CalSTRS
District's proportion of the collective net pension liability	1.19%	0.46%	1.26%	0.48%
District's proportionate share of the collective net pension liability	\$ 317,928,714	424,610,340	300,437,166	444,828,800
District's covered payroll	164,252,336	232,616,579	160,196,105	249,804,253
District's proportionate share of the collective net pension liability as a percent of covered payroll	193.56%	182.54%	187.54%	178.07%
Pension plan's fiduciary net position as a percentage of total pension liability	70.85%	70.99%	72%	69%

* The District implemented GASB Statement No. 68 effective July 1, 2014; therefore, data is not available prior to July 1, 2014.

Schedule of Districts contributions

CalSTRS pension plan

Last 10 fiscal years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
State & District contributions as a percentage of covered-employee payroll	22.05 %	19.49%	16.67%	12.78%	12.92%	11.68%	11.87%	11.05%	10.76%	9.76%
Contractually required contribution	\$ 40,211,617	38,401,750	33,740,364	27,878,874	21,015,634	17,728,126	17,395,249	17,279,949	17,216,865	16,842,446
Contributions in relation to the contractually required contributions	40,211,617	38,401,750	33,740,364	27,878,874	21,015,634	17,728,126	17,395,249	17,279,949	17,216,865	16,842,446
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered payroll	232,616,579	249,804,253	252,688,729	235,851,422	211,421,078	197,516,930	185,551,123	191,864,244	192,583,183	192,692,842
District contributions as a percentage of covered payroll	17.29 %	15.37%	13.35%	11.82%	9.94%	8.98%	9.37%	9.01%	8.94%	8.74%

* The District implemented GASB Statement No. 68 effective July 1, 2014. Contributions included in this schedule prior to fiscal year 2016 are reported under GASB Statement No. 25.

CalPERS pension plan

Last 10 fiscal years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 29,667,257	24,880,057	22,483,144	19,133,361	16,386,804	15,345,462	15,109,137	14,360,463	14,039,142	12,702,976
Contributions in relation to the contractually required contributions	29,667,257	24,880,057	22,483,144	19,133,361	16,386,804	15,345,462	15,109,137	14,360,463	14,039,142	12,702,976
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
District's covered payroll	164,252,336	160,196,105	148,815,636	155,882,522	126,834,679	131,436,970	127,244,130	129,918,547	130,436,025	130,146,925

* The District implemented GASB Statement No. 68 effective July 1, 2014. Contributions included in this schedule prior to fiscal year 2016 are reported under GASB Statement No. 25.

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Changes in the Net OPEB Liability and Related Ratios

Year ended June 30, 2019

(Unaudited)

	<u>Fiscal year ending 2019</u>	<u>Fiscal year ending 2018</u>
Last 10 Fiscal Years(*)		
Total OPEB liability:		
Service cost	\$ 18,702,117	22,086,708
Interest cost	36,830,247	34,243,769
Changes of benefit terms	—	—
Differences between expected and actual experiences	—	—
Changes of assumptions	(20,557,426)	(76,926,472)
Benefit payments	<u>(28,918,351)</u>	<u>(22,282,181)</u>
Net change in total OPEB liability	6,056,587	(42,878,176)
Total OPEB liability (beginning)	<u>690,480,715</u>	<u>733,358,891</u>
Total OPEB liability (ending)	<u>\$ 696,537,302</u>	<u>690,480,715</u>
Plan fiduciary net position:		
Contributions – employer	\$ 35,453,915	28,346,435
Net investment income	8,189,050	9,213,372
Benefit payments	(28,918,351)	(22,282,181)
Administrative expense	<u>(54,119)</u>	<u>(45,438)</u>
Net change in plan fiduciary net position	14,670,495	15,232,188
Plan fiduciary net position (beginning)	<u>98,669,276</u>	<u>83,437,088</u>
Plan fiduciary net position (ending)	<u>\$ 113,339,771</u>	<u>98,669,276</u>
Net OPEB liability (ending)	\$ 583,197,531	591,811,439
Plan fiduciary net position as a percentage of total OPEB liability	16.27%	14.29%
Covered-employee payroll	374,000,000	363,000,000
Net OPEB liability as a percentage of covered-employee payroll	155.94%	163.03%

(*) Historical information is required for measurement periods for which GASB 75 is applicable. Additional years will be presented as they become available.

See accompanying independent auditors' report.

SUPPLEMENTAL FINANCIAL INFORMATION

General Fund
Schedule of Balance Sheet Accounts
June 30, 2019

Assets

Cash in county treasury	\$	205,988,605
Cash in banks		53,119,389
Cash in revolving fund		156,625
Accounts, notes, interest and loans receivable, net		42,926,818
Cash held with trustee		—
Due from other funds		7,052,733
Prepaid expenses and other assets		6,324,135
		<u>315,568,305</u>
Total assets	\$	315,568,305

Liabilities and Fund Balance

Liabilities:		
Accounts payable	\$	122,808,356
Due to other funds		6,404,441
Amounts held in trusts		502,169
Unearned revenue		5,439,395
		<u>135,154,361</u>
Total liabilities		135,154,361
Fund balance:		
Restricted		29,639,912
Unrestricted		150,774,032
		<u>180,413,944</u>
Total fund balance		180,413,944
Total liabilities and fund balance	\$	315,568,305

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2019

Revenue:

Federal revenue:

Higher education acts	\$ 13,599,236
Job Training Partnership Act	2,516,882
Temporary Assistance for Needy Families (TANF)	1,061,924
Vocational Education Act	4,764,611
Veterans Education	26,025
College Work Study	2,891,707
Supplemental educational opportunity grants	173,887
Pell (basic educational opportunity grants)	196,420
Other	<u>1,672,004</u>
Total federal revenue	<u>26,902,696</u>

State revenue:

State apportionments	461,960,220
Tax relief subvention	7,952,820
State lottery	21,888,403
CA Works Opportunity and Responsibility to Kids	6,307,898
Extended opportunity program	9,811,055
Matriculation program	41,757,799
Disabled students programs and services	7,395,948
Other	<u>1,608,137</u>
Total state revenues	<u>558,682,280</u>

Local revenue:

Local property taxes	235,183,092
Enrollment fees	26,874,015
Tuition and fees, net of scholarship discounts and allowance	13,041,720
Community service fees	5,306,052
Parking fees	2,632,341
Health service fees	2,375,232
Student fees and charges	759,910
Interest	3,960,940
Other	<u>17,363,503</u>
Total local revenue	<u>307,496,805</u>
Total revenue	<u>893,081,781</u>

Expenditures:

Current:

Academic salaries	333,018,518
Classified salaries	180,248,039
Employee benefits	199,893,979
Books and supplies	13,770,667
Contract services, student grants, and other operating expenditures	108,212,580
Capital outlay and equipment replacement:	13,891,448
Other	<u>2,112,210</u>
Total expenditures	<u>851,147,441</u>
Excess of revenue over expenditures	41,934,340

Other financing use:

Operating transfers out	<u>(20,658,788)</u>
Net increase in fund balance	21,275,552

Fund balances at July 1, 2018	<u>159,138,392</u>
Fund balances at June 30, 2019	\$ <u><u>180,413,944</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2019

Assets	Special revenue fund	Cafeteria fund	Child development fund	Bookstore fund	Total
Cash in county treasury	\$ 118,600,170	—	(443,673)	—	118,156,497
Cash in banks	1,191,051	670,722	444,421	5,226,998	7,533,192
Cash in revolving fund	—	995	4	90,783	91,782
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	1,212,759	200,342	1,988,549	3,067,835	6,469,485
Due from other funds	155,423	129,294	479,511	883,547	1,647,775
Inventory	—	89,565	—	3,626,430	3,715,995
Total assets	\$ 121,159,403	1,090,918	2,468,812	12,895,593	137,614,726
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 1,279,401	—	718,769	654,981	2,653,151
Due to other funds	45,617	70,243	371,807	328,211	815,878
Unearned revenue	—	35,981	—	975,862	1,011,843
Total liabilities	1,325,018	106,224	1,090,576	1,959,054	4,480,872
Fund balances:					
Capital projects	119,834,385	—	—	—	119,834,385
Unrestricted	—	984,694	—	8,770,466	9,755,160
Reserve for facility improvements and inventory	—	—	—	2,166,073	2,166,073
Reserve for program and capital expenditures	—	—	1,378,236	—	1,378,236
Total fund balance	119,834,385	984,694	1,378,236	10,936,539	133,133,854
Total liabilities and fund balance	\$ 121,159,403	1,090,918	2,468,812	12,895,593	137,614,726

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Revenue, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2019

	Special revenue fund	Cafeteria fund	Child development fund	Bookstore fund	Total
Revenue:					
Federal revenue:					
Tuition and fees	\$ —	—	—	—	—
Child and adult care	—	—	—	—	—
Other	371,835	—	2,165,457	—	2,537,292
Total federal revenue	371,835	—	2,165,457	—	2,537,292
State revenue:					
State apportionment	971,385	—	—	—	971,385
Other	—	—	8,472,182	—	8,472,182
Total state revenue	971,385	—	8,472,182	—	9,443,567
Local revenues:					
Food service sales	—	1,026,367	—	988,747	2,015,114
Bookstore sales	—	—	—	20,303,765	20,303,765
Interest	2,599,240	—	149,967	—	2,749,207
Other	344,269	345,032	394,863	(8,110)	1,076,054
Total local revenue	2,943,509	1,371,399	544,830	21,284,402	26,144,140
Total revenue	4,286,729	1,371,399	11,182,469	21,284,402	38,124,999
Expenditures:					
Current:					
Academic salaries	—	—	5,111,614	—	5,111,614
Classified salaries	—	223,705	3,334,259	4,043,360	7,601,324
Employee benefits	—	50,007	2,165,003	1,586,750	3,801,760
Books and supplies	—	1,040,813	776,024	14,324,044	16,140,881
Contract services, student grant, and other operating expenditures	21,074,489	31,525	436,887	919,343	22,462,244
Utilities	—	4,575	—	214,126	218,701
Capital outlay	1,137,384	8,686	109,127	92,908	1,348,105
Total expenditures	22,211,873	1,359,311	11,932,914	21,180,531	56,684,629
(Deficiency) excess of revenue over expenditures	(17,925,144)	12,088	(750,445)	103,871	(18,559,630)
Other financing sources – operating transfers in	13,397,171	(4,738)	902,017	13,124	14,307,574
Net increase (decrease) in fund balances	(4,527,973)	7,350	151,572	116,995	(4,252,056)
Fund balances at July 1, 2018	124,362,358	977,344	1,226,664	10,819,544	137,385,910
Fund balances at June 30, 2019	\$ 119,834,385	984,694	1,378,236	10,936,539	133,133,854

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2019

Assets

Cash held with trustee	\$ 400,512,872
Accounts, notes, interest, and loans receivable, net	<u>32,117,435</u>
Total assets	<u>\$ 432,630,307</u>

Liabilities and Fund Balance

Liabilities:	
Unearned revenue	\$ 32,117,435
Other liabilities	<u>84,040,245</u>
Total liabilities	<u>116,157,680</u>
Fund balance:	
Restricted – Expendable	<u>316,472,627</u>
Total fund balance	<u>316,472,627</u>
Total liabilities and fund balance	<u>\$ 432,630,307</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2019

Expenditures:

Current:

Debt service	\$ 235,440,000
Interest expense on capital asset-related debt	<u>202,223,308</u>
Total expenditures	<u>437,663,308</u>
Deficit of expenditures over revenue	<u>(437,663,308)</u>

Other financing source:

Local tax for G.O. bonds	<u>431,356,126</u>
Total other financing sources	<u>431,356,126</u>
Net increase in fund balance	(6,307,182)

Fund balances at July 1, 2018	<u>322,779,809</u>
Fund balances at June 30, 2019	<u>\$ 316,472,627</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2019

Assets

Assets	\$	—

Total assets	\$	—
		=====

Liabilities and Fund Balance

Liability:		
Unfunded OPEB payable	\$	—

Total liability		—

Fund balance:		
Restricted		—

Total fund balance		—

Total liabilities and fund balance	\$	—
		=====

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balance (Deficit) Accounts

Year ended June 30, 2019

Revenue:		
Other nonoperating revenue	\$	<u>14,976</u>
Total local revenue		<u>14,976</u>
Expenditures:		
Current		<u>6,366,190</u>
Total expenditure		<u>6,366,190</u>
Excess of revenue expenditure over		<u>(6,351,214)</u>
Other financing sources:		
Operating transfers in		<u>6,351,214</u>
Total other financing sources		<u>6,351,214</u>
Net increase in fund balance		—
Fund deficit at July 1, 2018		<u>—</u>
Fund deficit at June 30, 2019	\$	<u><u>—</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Scholarship and Loan Fund

Schedule of Balance Sheet Accounts

June 30, 2019

Assets

Cash held with trustee	\$	—
Accounts, notes, interest and loans receivable, net		—
		<hr/>
Total assets	\$	—
		<hr/> <hr/>

Liabilities and Fund Balance

Liabilities:		
Due to other funds	\$	—
Other liabilities		—
		<hr/>
Total liabilities		—
		<hr/>
Fund balance:		
Reserve for expendable fund balance		—
Reserve for nonexpendable fund balance		—
		<hr/>
Total fund balance		—
		<hr/>
Total liabilities and fund balance	\$	—
		<hr/> <hr/>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Scholarship and Loan Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2019

Revenue:		
Investment income – noncapital		\$ <u> —</u>
Total revenues		<u> —</u>
Expenditures:		
Other operating expenses and services		<u> —</u>
Total expenditures		<u> —</u>
Excess of expenditure over revenues		<u> —</u>
Net decrease in fund balance		—
Fund balances at July 1, 2018		<u> —</u>
Fund balances at June 30, 2019		\$ <u><u> —</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2019

Assets

Cash in county treasury	\$ 231,973,843
Cash in banks	9,706,736
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts	1,887,524
Due from other funds	38,311
Prepaid expenses and other assets	4,703,905
Deposit with trustee	<u>25,912,533</u>
Total assets	\$ <u><u>274,222,852</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 66,336,182
Due to other funds	<u>15,884</u>
Total liabilities	<u>66,352,066</u>

Fund balance:

Reserve for capital expenditures	<u>207,870,786</u>
Total fund balance	<u>207,870,786</u>
Total liabilities and fund balance	\$ <u><u>274,222,852</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2019

Local revenue:		
Interest	\$	6,493,558
Other		<u>708,107</u>
Total revenue		<u>7,201,665</u>
Expenditures:		
Other operating expenses and services		19,628,129
Other non-operating income		<u>—</u>
Capital outlay		<u>183,866,137</u>
Total expenditures		<u>203,494,266</u>
Deficit of expenditures over revenue		<u>(196,292,601)</u>
Other financing source:		
Proceeds from issuance of debt		<u>—</u>
Total other financing source		<u>—</u>
Net increase in fund balance		(196,292,601)
Fund balances at July 1, 2018		<u>404,163,387</u>
Fund balances at June 30, 2019	\$	<u><u>207,870,786</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2019

Assets

Cash in banks	\$	1,657,785
Accounts, notes, interest and loans receivable, net		6,404,570
Due from other funds		<u>5,547,452</u>
Total assets	\$	<u><u>13,609,807</u></u>

Liabilities and Fund Balance

Liabilities:		
Accounts payable	\$	3,285,577
Due to other funds		<u>7,050,066</u>
Total liabilities		<u>10,335,643</u>
Fund balance:		
Restricted		<u>3,274,164</u>
Total fund balance		<u>3,274,164</u>
Total liabilities and fund balance	\$	<u><u>13,609,807</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year ended June 30, 2019

Revenue:

Federal revenue:

Supplemental educational opportunity grants	\$	4,288,060
Pell (basic educational opportunity grants)		143,132,818
Direct loan		19,815,357
Other		<u>285,112</u>
Total federal revenue		<u>167,521,347</u>

State revenue:

Extended opportunity program		8,290,627
CAL Grant		23,414,800
Other		<u>236,696</u>
Total state revenue		<u>31,942,123</u>

Local revenue:

Other		<u>484,298</u>
Total local revenue		<u>484,298</u>
Total revenue		<u>199,947,768</u>

Expenditure:

Student grants		<u>199,862,418</u>
Total expenditure		<u>199,862,418</u>
Excess of revenue over expenditure		<u>85,350</u>
Net increase in fund balance		85,350

Fund balances at July 1, 2018		<u>3,188,814</u>
Fund balances at June 30, 2019	\$	<u><u>3,274,164</u></u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Expendable Trust Fund – Associated Student Organization Funds and Agency Funds
 ASO Trust Fund – Combined Schedule of Balance Sheet Accounts
 June 30, 2019

Assets	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Los Angeles Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Cash in banks	\$ 382,288	373,447	259,325	622,776	1,252,153	182,531	970,808	1,248,239	201,898	5,493,465
Investments	550,369	172,659	100,000	192,960	610,453	—	2,194,716	1,758	—	3,822,915
Accounts, notes, interest, and receivable, net of allowance for doubtful accounts	26,859	1,775	11,654	—	—	12,749	53,026	44,759	—	150,822
Inventory	—	—	—	—	15,262	—	—	—	175	15,437
Capital assets	26,207	—	—	—	—	—	232,193	25,091	—	283,491
Total assets	<u>\$ 985,723</u>	<u>547,881</u>	<u>370,979</u>	<u>815,736</u>	<u>1,877,868</u>	<u>195,280</u>	<u>3,450,743</u>	<u>1,319,847</u>	<u>202,073</u>	<u>9,766,130</u>
Liabilities and Fund Balance										
Liabilities:										
Accounts payable	\$ —	—	485	211,738	21,278	10,291	—	—	37,400	281,192
Unearned revenue	—	—	—	—	—	—	—	—	—	—
Long-term liabilities	221,925	13,247	12,904	—	998,012	11,862	1,348,128	34,307	—	2,640,385
Total liabilities	<u>221,925</u>	<u>13,247</u>	<u>13,389</u>	<u>211,738</u>	<u>1,019,290</u>	<u>22,153</u>	<u>1,348,128</u>	<u>34,307</u>	<u>37,400</u>	<u>2,921,577</u>
Fund balances:										
Investment in fixed assets	26,207	—	—	—	—	—	232,193	25,091	—	283,491
Fund balances – designated for future expenditures	737,591	534,634	357,590	603,998	858,578	173,127	1,870,422	1,260,449	164,673	6,561,062
Total fund balances	<u>763,798</u>	<u>534,634</u>	<u>357,590</u>	<u>603,998</u>	<u>858,578</u>	<u>173,127</u>	<u>2,102,615</u>	<u>1,285,540</u>	<u>164,673</u>	<u>6,844,553</u>
Total liabilities and fund balance	<u>\$ 985,723</u>	<u>547,881</u>	<u>370,979</u>	<u>815,736</u>	<u>1,877,868</u>	<u>195,280</u>	<u>3,450,743</u>	<u>1,319,847</u>	<u>202,073</u>	<u>9,766,130</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Expendable Trust Fund – Associated Student Organization Funds and Agency Funds

ASO Trust Fund – Combined Schedule of Revenue, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2019

	<u>East Los Angeles College</u>	<u>Los Angeles City College</u>	<u>Los Angeles Harbor College</u>	<u>Los Angeles Mission College</u>	<u>Los Angeles Pierce College</u>	<u>Los Angeles Southwest College</u>	<u>Los Angeles Trade Technical College</u>	<u>Los Angeles Valley College</u>	<u>West Los Angeles College</u>	<u>Total</u>
Revenue:										
Other	\$ 399,972	135,689	105,586	418,729	223,345	55,431	281,123	248,221	69,307	1,937,403
Total revenue	<u>399,972</u>	<u>135,689</u>	<u>105,586</u>	<u>418,729</u>	<u>223,345</u>	<u>55,431</u>	<u>281,123</u>	<u>248,221</u>	<u>69,307</u>	<u>1,937,403</u>
Expenditure:										
Contract services and other operating expenditures	258,606	73,313	33,153	273,960	273,133	2,583	120,667	354,826	108,132	1,498,373
Total expenditure	<u>258,606</u>	<u>73,313</u>	<u>33,153</u>	<u>273,960</u>	<u>273,133</u>	<u>2,583</u>	<u>120,667</u>	<u>354,826</u>	<u>108,132</u>	<u>1,498,373</u>
Net increase (decrease) in fund balance	141,366	62,376	72,433	144,769	(49,788)	52,848	160,456	(106,605)	(38,825)	439,030
Fund balances at July 1, 2018	<u>622,432</u>	<u>472,258</u>	<u>285,157</u>	<u>459,229</u>	<u>908,366</u>	<u>120,279</u>	<u>1,942,159</u>	<u>1,392,145</u>	<u>203,498</u>	<u>6,405,523</u>
Fund balances at June 30, 2019	<u>\$ 763,798</u>	<u>534,634</u>	<u>357,590</u>	<u>603,998</u>	<u>858,578</u>	<u>173,127</u>	<u>2,102,615</u>	<u>1,285,540</u>	<u>164,673</u>	<u>6,844,553</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Expendable Trust Fund – Associated Student Organization Funds and Agency Funds

Student Representation Fee Trust Fund – Combined Schedule of Balance Sheet Accounts

June 30, 2019

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Los Angeles Pierce College	Los Angeles Southwest College	Los Angeles Trade Technical College	Los Angeles Valley College	West Los Angeles College	Total
Assets										
Cash in banks	\$ 71,289	98,511	90,609	73,110	361,692	26,527	73,575	164,653	11,807	971,773
Accounts, notes, interest, and receivable, net of allowance for doubtful accounts	5,478	—	—	—	—	1,620	—	5,206	—	12,304
Investments	—	—	—	—	—	—	—	51,348	—	51,348
Total assets	<u>\$ 76,767</u>	<u>98,511</u>	<u>90,609</u>	<u>73,110</u>	<u>361,692</u>	<u>28,147</u>	<u>73,575</u>	<u>221,207</u>	<u>11,807</u>	<u>1,035,425</u>
Fund Balance										
Fund balance:										
Fund balances – designated for future expenditures	\$ 76,767	98,511	90,609	73,110	361,692	28,147	73,575	221,207	11,807	1,035,425
Total fund balance	<u>76,767</u>	<u>98,511</u>	<u>90,609</u>	<u>73,110</u>	<u>361,692</u>	<u>28,147</u>	<u>73,575</u>	<u>221,207</u>	<u>11,807</u>	<u>1,035,425</u>
Total liabilities and fund balance	<u>\$ 76,767</u>	<u>98,511</u>	<u>90,609</u>	<u>73,110</u>	<u>361,692</u>	<u>28,147</u>	<u>73,575</u>	<u>221,207</u>	<u>11,807</u>	<u>1,035,425</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Expendable Trust Fund – Associated Student Organization Funds and Agency Funds

Student Representation Fee Trust Fund – Combined Schedule of Revenue, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2019

	<u>East Los Angeles College</u>	<u>Los Angeles City College</u>	<u>Los Angeles Harbor College</u>	<u>Los Angeles Mission College</u>	<u>Los Angeles Pierce College</u>	<u>Los Angeles Southwest College</u>	<u>Los Angeles Trade Technical College</u>	<u>Los Angeles Valley College</u>	<u>West Los Angeles College</u>	<u>Total</u>
Revenue:										
Other	\$ 67,293	23,602	14,150	21,043	43,442	11,213	22,677	33,445	15,759	252,624
Total revenue	<u>67,293</u>	<u>23,602</u>	<u>14,150</u>	<u>21,043</u>	<u>43,442</u>	<u>11,213</u>	<u>22,677</u>	<u>33,445</u>	<u>15,759</u>	<u>252,624</u>
Expenditure:										
Contract services and other operating expenditures	42,795	35,989	13,740	12,223	34,468	7,065	7,222	2,899	12,926	169,327
Total expenditure	<u>42,795</u>	<u>35,989</u>	<u>13,740</u>	<u>12,223</u>	<u>34,468</u>	<u>7,065</u>	<u>7,222</u>	<u>2,899</u>	<u>12,926</u>	<u>169,327</u>
Net increase (decrease) in fund balance	24,498	(12,387)	410	8,820	8,974	4,148	15,455	30,546	2,833	83,297
Fund balances at July 1, 2018	<u>52,269</u>	<u>110,898</u>	<u>90,199</u>	<u>64,290</u>	<u>352,718</u>	<u>23,999</u>	<u>58,120</u>	<u>190,661</u>	<u>8,974</u>	<u>952,128</u>
Fund balances at June 30, 2019	<u>\$ 76,767</u>	<u>98,511</u>	<u>90,609</u>	<u>73,110</u>	<u>361,692</u>	<u>28,147</u>	<u>73,575</u>	<u>221,207</u>	<u>11,807</u>	<u>1,035,425</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of District Organization, Board, and Administration Members

June 30, 2019 and 2018

The District Organization

The Los Angeles Community College District (the District) was established on July 1, 1969 and comprises an area of approximately 882 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the year. The District currently operates nine colleges as follows:

- East Los Angeles College
- Los Angeles City College
- Los Angeles Harbor College
- Los Angeles Mission College
- Los Angeles Pierce College
- Los Angeles Southwest College
- Los Angeles Trade Technical College
- Los Angeles Valley College
- West Los Angeles College

The Board of Trustees

Name	Office	Term expires
Mike Fong	President	December 11, 2020
Andra Hoffman	First Vice President	December 11, 2020
Steven F. Veres	Second Vice President	December 09, 2022
Dr. Gabriel Buelna	Member	December 09, 2022
Ernest H. Moreno	Member	December 09, 2022
Scott J. Svonkin	Member	December 11, 2020
David Vela	Member	December 11, 2020
Kellie N. Williams	Student Trustee	May 31, 2019

The Administration

Name	Office
Dr. Francisco C. Rodriguez	Chancellor
Dr. Melinda A. Nish	Interim/Deputy Chancellor
Dr. Robert B. Miller	Vice Chancellor, Finance and Resource Development
Dr. Ryan M. Cornner	Vice Chancellor, Educational Programs and Institutional Effectiveness
Dr. Albert J. Roman	Vice Chancellor, Human Resources
Ms. Jeanette L. Gordon	Chief Financial Officer/Treasurer
Mr. Thomas Hall**	Chief Facilities Executive
Mr. Jeffrey M. Prieto	General Counsel

** Acting

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of District Organization, Board, and Administration Members
June 30, 2019 and 2018

The College Presidents

Name	Office
Dr. Raul Rodriguez*	East Los Angeles College
Dr. Mary Gallagher	Los Angeles City College
Dr. Otto W. K. Lee	Los Angeles Harbor College
Dr. Monte E. Perez	Los Angeles Mission College
Dr. Lawrence G. Buckley*	Los Angeles Pierce College
Dr. Seher Awan	Los Angeles Southwest College
Mr. Laurence B. Frank	Los Angeles Trade-Technical College
Mr. Mike Lee*	Los Angeles Valley College
Dr. James M. Limbaugh	West Los Angeles College

* Interim

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Cluster	Award or pass-through identification number	Passed through to subrecipients	Total federal expenditures
Major Programs:					
US Department of Education:					
Direct Program:					
Student Financial Assistance Cluster:					
Federal Supplement Educational Opportunity Grants (FSEOG):					
Los Angeles City College	84.007			\$ —	574,635
East Los Angeles College	84.007			—	840,250
Educational Service Center	84.007			—	20,780
Los Angeles Harbor College	84.007			—	345,340
Los Angeles Mission College	84.007			—	244,028
Pierce College	84.007			—	623,204
Los Angeles Southwest College	84.007			—	321,545
Los Angeles Trade Technical College	84.007			—	630,211
Los Angeles Valley College	84.007			—	463,704
West Los Angeles College	84.007			—	398,101
				<hr/>	<hr/>
				—	4,461,798
Federal Work Study Program:					
Los Angeles City College	84.033			—	420,833
East Los Angeles College	84.033			—	600,216
Educational Service Center	84.033			—	7,076
Los Angeles Harbor College	84.033			—	259,793
Los Angeles Mission College	84.033			—	214,466
Pierce College	84.033			—	355,724
Los Angeles Southwest College	84.033			—	207,278
Los Angeles Trade Technical College	84.033			—	312,067
Los Angeles Valley College	84.033			—	441,498
West Los Angeles College	84.033			—	245,693
				<hr/>	<hr/>
				—	3,064,644
Federal Perkins Loan Program:					
Los Angeles City College	84.038			—	517,446
East Los Angeles College	84.038			—	458,590
Los Angeles Harbor College	84.038			—	95,614
Los Angeles Mission College	84.038			—	43,557
Pierce College	84.038			—	281,642
Los Angeles Southwest College	84.038			—	279,995
Los Angeles Trade Technical College	84.038			—	708,622
Los Angeles Valley College	84.038			—	391,130
West Los Angeles College	84.038			—	255,233
				<hr/>	<hr/>
				—	3,031,829
Federal Pell Grant Program:					
Los Angeles City College	84.063			—	18,054,969
East Los Angeles College	84.063			—	31,496,856
Educational Service Center	84.063			—	3,361
Los Angeles Harbor College	84.063			—	8,752,743
Los Angeles Mission College	84.063			—	9,503,567
Pierce College	84.063			—	21,260,644
Los Angeles Southwest College	84.063			—	7,660,705
Los Angeles Trade Technical College	84.063			—	15,835,174
Los Angeles Valley College	84.063			—	21,161,590
West Los Angeles College	84.063			—	9,547,663
				<hr/>	<hr/>
				—	143,277,272
Federal Direct Student Loans:					
Los Angeles City College	84.268			—	4,312,958
East Los Angeles College	84.268			—	1,314,604
Los Angeles Harbor College	84.268			—	377,059
Los Angeles Mission College	84.268			—	1,120,959
Pierce College	84.268			—	5,206,816
Los Angeles Southwest College	84.268			—	1,153,105
Los Angeles Trade Technical College	84.268			—	2,116,207
Los Angeles Valley College	84.268			—	2,267,628
West Los Angeles College	84.268			—	1,946,043
				<hr/>	<hr/>
				—	19,815,379

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Cluster	Award or pass-through identification number	Passed through to subrecipients	Total federal expenditures
US Department of Health and Human Services:					
Direct program:					
Nursing Student Loans:					
Los Angeles City College	93.364			\$ —	2,197
East Los Angeles College	93.364			—	1,200
Los Angeles Harbor College	93.364			—	8,291
Pierce College	93.364			—	2,297
Los Angeles Southwest College	93.364			—	9,284
Los Angeles Trade Technical College	93.364			—	6,250
Los Angeles Valley College	93.364			—	33,573
				<hr/>	<hr/>
				—	63,092
				<hr/>	<hr/>
Total Student Financial Assistance Cluster				—	173,714,014
US Department of Education:					
Direct Program:					
Higher Education Institutional Aid:					
Los Angeles City College	84.031			—	1,379,594
East Los Angeles College	84.031			—	1,969,552
Los Angeles Harbor College	84.031			—	2,303,292
Los Angeles Mission College	84.031			—	551,507
Pierce College	84.031			—	—
Los Angeles Trade Technical College	84.031			—	50,745
Los Angeles Valley College	84.031			—	1,660,397
West Los Angeles College	84.031			—	2,417
				<hr/>	<hr/>
				—	7,917,504
Passed-through The University Corporation:					
Higher Education Institutional Aid:					
Bridging the Gap Enhancing AIMS2 for St:					
Pierce College	84.031		A17-0013-S004	—	42,564
Developing California's Workforce:					
Pierce College	84.031		A17-0033-S001	—	144,096
				<hr/>	<hr/>
				—	186,660
				<hr/>	<hr/>
Total Higher Education Institutional Aid				—	8,104,164
Direct Program:					
TRIO Cluster:					
TRIO-Student Support Services:					
Los Angeles City College	84.042			—	282,436
Los Angeles Harbor College	84.042			—	362,524
Los Angeles Mission College	84.042			—	250,844
Los Angeles Southwest College	84.042			—	785,345
Los Angeles Valley College	84.042			—	255,877
West Los Angeles College	84.042			—	295,578
				<hr/>	<hr/>
				—	2,232,604
TRIO-Talent Search:					
Los Angeles Southwest College	84.044			—	298,342
West Los Angeles College	84.044			—	301,258
				<hr/>	<hr/>
				—	599,600
TRIO-Upward Bound:					
Los Angeles City College	84.047			—	611,163
Los Angeles Southwest College	84.047			—	—
Los Angeles Valley College	84.047			—	454,818
West Los Angeles College	84.047			—	990,122
				<hr/>	<hr/>
				—	2,056,103
TRIO-Educational Opportunity Centers:					
West Los Angeles College	84.066			—	247,607
				<hr/>	<hr/>
Total TRIO Cluster				—	5,135,914

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Cluster	Award or pass-through identification number	Passed through to subrecipients	Total federal expenditures
Passed-through California Community College's Chancellors Office:					
Career and Technical Education – Basic Grant to States (Perkins IV):					
Perkins Title I-C:					
Los Angeles City College	84.048		16-C01-027	\$ —	446,932
East Los Angeles College	84.048		16-C01-027	—	949,027
Educational Service Center	84.048		16-C01-027	—	212,142
Los Angeles Harbor College	84.048		16-C01-027	—	250,951
Los Angeles Mission College	84.048		16-C01-027	—	336,665
Pierce College	84.048		16-C01-027	—	484,935
Los Angeles Southwest College	84.048		16-C01-027	—	257,926
Los Angeles Trade Technical College	84.048		16-C01-027	—	577,560
Los Angeles Valley College	84.048		16-C01-027	—	445,070
West Los Angeles College	84.048		16-C01-027	—	435,835
				<u>—</u>	<u>4,397,043</u>
Career and Technical Education – Transitions:					
Los Angeles City College	84.048		16-112-027	—	41,189
East Los Angeles College	84.048		16-112-027	—	41,377
Los Angeles Harbor College	84.048		16-112-027	—	44,211
Los Angeles Mission College	84.048		16-112-027	—	41,377
Pierce College	84.048		16-112-027	—	41,377
Los Angeles Southwest College	84.048		16-112-027	—	36,089
Los Angeles Trade Technical College	84.048		16-112-027	—	41,315
Los Angeles Valley College	84.048		16-112-027	—	41,377
West Los Angeles College	84.048		16-112-027	—	39,255
				<u>—</u>	<u>367,567</u>
Total Career and Technical Education – Basic Grant to States (Perkins IV)					<u>4,764,610</u>
Total Major Programs					<u>191,718,702</u>
Non-Major Programs:					
US Department of Agriculture:					
Passed-through California Department of Education:					
Child and Adult Care Food Programs:					
Los Angeles City College	10.558		04056-CACFP-19-CC-CS	—	53,515
East Los Angeles College	10.558		04056-CACFP-19-CC-CS	—	115,740
Los Angeles Harbor College	10.558		04056-CACFP-19-CC-CS	—	71,417
Los Angeles Mission College	10.558		04056-CACFP-19-CC-CS	—	136,514
Pierce College	10.558		04056-CACFP-19-CC-CS	—	68,922
Los Angeles Southwest College	10.558		04056-CACFP-19-CC-CS	—	98,369
Los Angeles Trade Technical College	10.558		04056-CACFP-19-CC-CS	—	69,232
Los Angeles Valley College	10.558		04056-CACFP-19-CC-CS	—	150,650
West Los Angeles College	10.558		04056-CACFP-19-CC-CS	—	48,428
Passed-through The University Corporation:					
Pathways to Success Hisp Std Regist Diet:					
Los Angeles Mission College	10.220		A18-0017-S001	—	63,373
				<u>—</u>	<u>876,160</u>
US Department of Labor:					
Workforce Innovation and Opportunity Act (WIOA) Cluster:					
Passed-through South Bay Workforce Investment Board:					
1-Train South Bay Workforce Invest Board:					
Dislocated Worker Formula Grants:					
Los Angeles Mission College	17.278		17-W182	—	637
				<u>—</u>	<u>637</u>
Passed-through City of Los Angeles:					
Passed-through Employment Development Department:					
EDD Strengthening Working Families:					
Los Angeles Valley College	17.258		K7107005	—	94,944
Los Angeles Valley College	17.258		K8109255	—	99,171
				<u>—</u>	<u>194,115</u>
Total Workforce Innovation and Opportunity Act (WIOA) Cluster					<u>194,752</u>
National Aeronautics and Space Administration:					
Direct programs:					
Minority University Research & Educ Proj:					
Pierce College	43.008		80NSSC18M0124	—	105,818
				<u>—</u>	<u>105,818</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Cluster	Award or pass-through identification number	Passed through to subrecipients	Total federal expenditures
National Science Foundation:					
Direct programs:					
Education and Human Resources Program:					
Biotechnology Program NSF:					
Los Angeles Mission College	47.076	R&D	1700152	\$ —	62,170
Scholarship in STEM to Achieve Results:					
East Los Angeles College	47.076		1458676	—	101,406
Captive NSF:					
Pierce College	47.076		1565706	—	82,886
Biology Major in Mathematics, NSF:					
Los Angeles Mission College	47.076	R&D	1832348	—	135,392
Filling Skills Gaps Geo-Spatial Eng NSF:					
East Los Angeles College	47.076		1801188	—	40,545
Increasing Retention of Veterans in Engr:					
East Los Angeles College	47.076		1821721	—	1,590
Total Education and Human Resources Program				—	423,989
Direct programs:					
Mathematical and Physical Sciences:					
Consortium for Undergraduate Research Experiences:					
Los Angeles City College	47.049		AST-1460538	—	93,517
Passed-through The University Corporation:					
Mathematical and Physical Sciences					
RE-C ² : Research Experiences in Community Colleges					
Los Angeles Mission College	47.049		F-15-3665-LAMC	—	6,000
Total Mathematical and Physical Sciences				—	99,517
US Department of Education:					
Direct programs:					
Undergraduate International Studies and Foreign Language Programs:					
West Los Angeles College	84.016			—	35,660
Child Care Access Means Parents in School:					
Los Angeles Valley College	84.335			—	188,227
Passed-through California Department of Education:					
Adult Education – Basic Grants to States:					
Adult Education and Family Literacy & English Literacy:					
Los Angeles City College	84.002		16-6474-4000	—	1,329,809
East Los Angeles College	84.002		16-6474-4000	—	209,628
Los Angeles Mission College	84.002		16-6474-4000	—	80,805
Los Angeles Southwest College	84.002		16-6474-4000	—	405,655
Los Angeles Trade Technical College	84.002		16-6474-4000	—	84,623
Los Angeles Valley College	84.002		16-6474-4000	—	211,610
West Los Angeles College	84.002		17-6474-00	—	—
Total Adult Education – Basic Grants to States				—	2,322,130
Passed-through California Department of Rehabilitation:					
Rehabilitation Services Vocational Rehabilitation Grants to States:					
College to Career Program:					
West Los Angeles College	84.126		30741	—	250,000
Passed-through Los Angeles Unified School District:					
Gaining Early Awareness and Readiness for Undergraduate Programs:					
Los Angeles City College	84.334		4400003423	—	68,351
Los Angeles City College	84.334		4400002613	—	24,720
Los Angeles Trade Technical College	84.334		4400003478	—	6,523
Los Angeles Trade Technical College	84.334		1200250	—	201
Total Gaining Early Awareness and Readiness for Undergraduate Programs				—	99,795
Passed-through Loyola Marymount University:					
Center for International Business Education:					
Educational Service Center	84.220		19-006-S1	—	11,674
Passed-through Cal State L.A. University Auxiliary Services, INC:					
Fund for the Improvement of Postsecondary Education:					
First in the World CSULA:					
West Los Angeles College	84.116		WLAC231225	—	123,203

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Cluster	Award or pass-through identification number	Passed through to subrecipients	Total federal expenditures
US Department of Health and Human Services:					
Passed-through California Community College's Chancellors Office:					
477 Cluster Program:					
Temporary Assistance for Needy Families (TANF):					
Los Angeles City College	93.558		4362501711014	\$ —	142,969
East Los Angeles College	93.558		4362501711014	—	143,132
Los Angeles Harbor College	93.558		4362501711014	—	61,062
Los Angeles Mission College	93.558		4362501711014	—	90,166
Pierce College	93.558		4362501711014	—	89,926
Los Angeles Southwest College	93.558		4362501711014	—	108,668
Los Angeles Trade Technical College	93.558		4362501711014	—	197,875
Los Angeles Valley College	93.558		4362501711014	—	151,617
West Los Angeles College	93.558		4362501711014	—	76,509
				<hr/>	<hr/>
				—	1,061,924
Passed-through California Department of Education:					
477 Cluster Program:					
Family Child Care Homes:					
Los Angeles Mission College	93.575		CFCC-8009	—	90,498
General Child Care and Development Program:					
East Los Angeles College	93.575		CCTR-8097	—	63,499
Los Angeles Mission College	93.575		CCTR-8097	—	196,128
Los Angeles Valley College	93.575		CCTR-8097	—	75,864
				<hr/>	<hr/>
				—	425,989
Passed-through California Department of Education:					
477 Cluster Program:					
Family Child Care Homes:					
Los Angeles Mission College	93.596		CFCC-8009	—	196,865
General Child Care and Development Program:					
East Los Angeles College	93.596		CCTR-8097	—	138,134
Los Angeles Mission College	93.596		CCTR-8097	—	426,651
Los Angeles Valley College	93.596		CCTR-8097	—	165,032
				<hr/>	<hr/>
				—	926,682
				<hr/>	<hr/>
				—	2,414,595
Passed-through California Department of Education:					
Foster Care – Title IV-E:					
Foster and Kinship Care Education:					
Los Angeles City College	93.658			—	62,795
East Los Angeles College	93.658			—	62,231
Los Angeles Harbor College	93.658			—	87,270
Los Angeles Mission College	93.658			—	100,786
Pierce College	93.658			—	51,458
Los Angeles Southwest College	93.658			—	56,941
Los Angeles Trade Technical College	93.658			—	68,529
West Los Angeles College	93.658			—	54,936
				<hr/>	<hr/>
				—	544,946
Passed-through California State University Northridge:					
Trans-NIH Research Support:					
BUILD @ CSUN:					
East Los Angeles College	93.310		F-14-3510-ELAC	—	19,516
Pierce College	93.310		F-14-3510-LAPC	—	26,607
Los Angeles Valley College	93.310		F-14-3510-LAVC	—	20,385
Passed-through Cal State L.A. University Auxiliary Services, INC:					
Bridges to the Future:					
Los Angeles City College	93.310		LACC231516	—	7,800
				<hr/>	<hr/>
				—	74,308
US Department of Transportation:					
Federal Highway Administration:					
Highway Training and Education:					
Dwight David Eisenhower Transportation Fellowship Program:					
East Los Angeles College	20.215		693JJ318451	—	10,000

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards by College
Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Cluster	Award or pass-through identification number	Passed through to subrecipients	Total federal expenditures
Corporation for National and Community Service:					
American Recovery and Reinvestment Act (ARRA):					
AmeriCorps:					
Los Angeles City College	94.006			\$ —	83,245
East Los Angeles College	94.006			—	29,763
Los Angeles Harbor College	94.006			—	8,764
Los Angeles Mission College	94.006			—	15,284
Pierce College	94.006			—	6,561
Los Angeles Southwest College	94.006			—	89,680
Los Angeles Trade Technical College	94.006			—	17,717
Los Angeles Valley College	94.006			—	17,780
West Los Angeles College	94.006			—	—
				<u>—</u>	<u>268,794</u>
Passed-through Foundation for California Community Colleges:					
AmeriCorps Student Ambassador Program:					
Los Angeles Mission College	94.006		7AFHY24-F178	—	258
Total AmeriCorps				<u>—</u>	<u>269,052</u>
Total Non-Major Programs				<u>—</u>	<u>8,043,826</u>
Total Expenditures of Federal Awards				<u>\$ —</u>	<u>199,762,528</u>

See accompanying notes to other supplemental information and independent auditors' report on compliance for each major federal program and internal control over compliance required by the Uniform Guidance and report on schedule of expenditures of federal awards.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Awards

Year ended June 30, 2019

Program name	Cash received	Accounts receivable	Deferred income	Total program revenue	Total program expenditures
Adult Education Block Grant	\$ 15,281,689	—	5,733,979	9,547,710	9,553,773
Basic Skills	4,552,129	—	—	4,552,129	3,810,386
CAL Grants	14,271,232	—	114,258	14,156,974	14,139,421
California Career Pathways Trust	5,804,506	1,805	568,182	5,238,129	5,196,229
California College Promise	3,030,086	—	1,571,545	1,458,541	1,458,541
California College Promise Innovation Grant	1,281,367	—	693,901	587,466	587,466
California State Preschool Program	4,147,091	387,597	—	4,534,688	4,534,688
CalWORKs	6,320,748	—	12,850	6,307,898	6,307,898
Community College Completion Grant	821,305	—	—	821,305	820,810
Cooperative Agencies Resource for Education	1,585,331	—	15,441	1,569,890	1,569,890
Disabled Students Program and Services	7,441,635	—	45,687	7,395,948	8,317,187
Economic and Workforce Development	412,160	892,683	—	1,304,843	1,304,843
Equal Employment Opportunity	50,000	—	—	50,000	143,475
ESL/Basic Skills Professional Development	822,354	—	—	822,354	822,354
Extended Opportunity Program and Services	13,553,555	—	73,599	13,479,956	13,479,956
Family Child Care Homes	398,882	116,304	—	515,186	515,186
Financial Aid Technology	1,197,392	—	—	1,197,392	179,978
Foster and Kinship Care Education	672,723	—	—	672,723	672,723
Full Time Student Success Grant	171,579	—	—	171,579	171,289
General Child Care and Development	1,457,014	869,562	—	2,326,576	2,326,576
Guided Pathways	7,122,594	—	5,545,558	1,577,036	1,577,036
Innovation in Higher Education	2,351,638	—	1,107,223	1,244,415	1,244,415
Math, Engineering, Science Achievement	29,806	44,709	—	74,515	74,515
Mental Health Support	960,450	—	801,263	159,187	159,187
Middle College High School	—	100,000	—	100,000	100,000
NextUp	3,071,177	—	19,341	3,051,836	3,051,836
Nursing Education	1,271,378	5,000	29,921	1,246,457	1,246,457
One-Time Block Grant/Instructional Equipment/Deferred Maintenance	1,608,137	—	—	1,608,137	1,685,032
Osher Scholar	207,263	—	13,425	193,838	193,838
Professional Development Services	—	1,623,890	—	1,623,890	1,623,890
Strong Workforce Program – Local	36,452,795	—	19,713,512	16,739,283	16,739,283
Strong Workforce Program – Regional	3,405,881	3,164,150	—	6,570,031	6,570,031
Student Equity	16,478,208	—	—	16,478,208	16,469,753
Student Financial Aid Administration	5,343,862	—	—	5,343,862	5,493,462
Student Success & Support (Credit)	23,418,453	—	—	23,418,453	23,977,145
Student Success & Support (Noncredit)	1,861,138	—	—	1,861,138	1,738,130
Student Success Completion Grant	8,266,901	—	1,958	8,264,943	8,264,943
Veteran Resource Center	621,934	162,917	297,515	487,336	487,336
Other state assistance programs	7,139,463	3,350,004	1,621,321	8,868,146	8,587,472
Total state programs	\$ 202,883,856	10,718,621	37,980,479	175,621,998	175,196,430

See accompanying independent auditors' report on schedule of state awards and state compliance.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Schedule of Workload Measures for State General Apportionment
 Annual 2018-19 Apportionment Attendance Report

Categories	Reported data
A. Summer intersession (Summer Seg 2 only):	
1. Noncredit	1,683
2. Credit	2,939
B. Summer intersession (Summer Seg 1 only):	
1. Noncredit	74
2. Credit	5,409
C. Primary terms (Exclusive of summer intersessions):	
1. Census procedure courses:	
a. Weekly census contact hours	56,045
b. Daily census contact hours	6,741
2. Actual hours of attendance procedure courses:	
a. Noncredit	5,396
b. Credit	5,085
3. Independent study/work experience education courses:	
a. Weekly census procedure crs	8,549
b. Daily census procedure crs	6,218
c. Noncredit independent study	—
D. Total FTES	98,139
Supplemental Information	
E. In-service training courses	3,523
H. Basic skills courses:	
1. Noncredit	6,100
2. Credit	2,391
I. CCFS-320 Addendum: CDCP Noncredit FTES	4,572
J. Centers FTES:	
1. Noncredit	N/A
2. Credit	N/A

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of the 50 Percent Law Calculation to Audited Financial Statements

Year ended June 30, 2019

	Object/TOP code	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100 – 6799		
		Reported data	Audit adjustments	Revised data	Reported data	Audit adjustments	Reported data
Academic salaries:							
Instructional salaries:							
Contract or regular	1100	\$ 117,282,057	—	117,282,057	116,089,770	—	116,089,770
Other	1300	106,281,585	—	106,281,585	107,299,061	—	107,299,061
Total instructional salaries		<u>223,563,642</u>	<u>—</u>	<u>223,563,642</u>	<u>223,388,831</u>	<u>—</u>	<u>223,388,831</u>
Noninstructional salaries:							
Contract or regular	1200	—	—	—	48,437,733	—	48,437,733
Other	1400	—	—	—	4,672,243	—	4,672,243
Total noninstructional salaries		<u>—</u>	<u>—</u>	<u>—</u>	<u>53,109,976</u>	<u>—</u>	<u>53,109,976</u>
Total academic salaries		<u>223,563,642</u>	<u>—</u>	<u>223,563,642</u>	<u>276,498,807</u>	<u>—</u>	<u>276,498,807</u>
Classified salaries:							
Noninstructional salaries:							
Regular status	2100	—	—	—	105,225,929	—	105,225,929
Other	2300	—	—	—	5,733,935	—	5,733,935
Total noninstructional salaries		<u>—</u>	<u>—</u>	<u>—</u>	<u>110,959,864</u>	<u>—</u>	<u>110,959,864</u>
Instructional aides:							
Regular status	2200	10,285,603	—	10,285,603	10,980,786	—	10,980,786
Other	2400	830,275	—	830,275	1,178,454	—	1,178,454
Total instructional aides		<u>11,115,878</u>	<u>—</u>	<u>11,115,878</u>	<u>12,159,240</u>	<u>—</u>	<u>12,159,240</u>
Total classified salaries		<u>11,115,878</u>	<u>—</u>	<u>11,115,878</u>	<u>123,119,104</u>	<u>—</u>	<u>123,119,104</u>
Employee benefits	3000	71,907,626	—	71,907,626	166,859,666	—	166,859,666
Supplies and materials	4000	—	—	—	3,255,631	—	3,255,631
Other operating expenses	5000	4,799,497	—	4,799,497	79,541,146	—	79,541,146
Equipment replacement	6420	—	—	—	1,572	—	1,572
Total expenditures prior to exclusions		<u>311,386,643</u>	<u>—</u>	<u>311,386,643</u>	<u>649,275,926</u>	<u>—</u>	<u>649,275,926</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of the 50 Percent Law Calculation to Audited Financial Statements

Year ended June 30, 2019

Object/TOP code	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100 – 6799		
	Reported data	Audit adjustments	Revised data	Reported data	Audit adjustments	Reported data
Exclusions:						
Activities to exclude:						
Instructional staff-retirees' benefits and retirement incentives	5900	\$ —	—	—	—	—
Student health services above amount collected	6441	—	—	—	—	—
Student transportation	6491	—	—	87,628	—	87,628
Noninstructional staff-retirees' benefits and retirement incentives	6740	—	—	32,036,979	—	32,036,979
Objects to exclude:						
Rents and leases	5060	—	—	1,619,829	—	1,619,829
Lottery expenditures:						
Academic salaries	1000	—	—	—	—	—
Classified salaries	2000	—	—	—	—	—
Employee benefits	3000	—	—	—	—	—
Supplies and materials:						
Software	4100	—	—	—	—	—
Books, magazines, and periodicals	4200	—	—	—	—	—
Instructional supplies and materials	4300	—	—	—	—	—
Noninstructional, supplies, and materials	4400	—	—	—	—	—
Total supplies and materials		—	—	—	—	—
Other operating expenses and services	5000	—	—	15,579,159	—	15,579,159
Capital outlay:						
Library books	6000	—	—	—	—	—
Equipment:						
Equipment – additional	6410	—	—	—	—	—
Equipment – replacement	6420	—	—	—	—	—
Total equipment		—	—	—	—	—
Total capital outlay		—	—	—	—	—
Other outgo	7000	—	—	—	—	—
Total exclusions		—	—	49,323,595	—	49,323,595
Total for ECS 84362, 50% law		\$ 311,386,643	—	311,386,643	599,952,331	599,952,331
Percent of CEE (Instructional salary cost/Total CEE)		51.90 %		51.90 %	100.00 %	100.00 %
50% of current expense of education				\$ 299,976,166		299,976,166

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
 Reconciliation of Annual Financial and Budget Report (CCFS-311)
 Year ended June 30, 2019

	General fund	Special revenue fund	Debt service fund	Retirees' health insurance fund	Building fund	Student financial aid fund	ASO fund	General long-term fixed assets	Other GASB Adj to general long-term debt	Total
June 30, 2019 total fund balances per annual financial budget report – 311	\$ 177,637,379	131,229,251	—	—	202,604,161	3,274,165	7,879,978	—	—	522,624,934
Audit adjustments to fund balance:										
Adjustments to cash with bond trustee	—	—	400,512,872	—	—	—	—	—	—	400,512,872
Adjustments to accrued interest expense	—	—	(84,040,245)	—	—	—	—	—	—	(84,040,245)
Adjustments to accrued interest income	—	—	—	—	—	—	—	—	—	—
Adjustments to investment income	—	—	—	—	—	—	—	—	—	—
Adjustments to payables	—	—	—	—	—	—	—	—	—	—
Adjustments to revenues	876,565	192,219	—	—	8,784,865	(1)	—	—	—	9,853,648
Adjustments to expenditures	—	(645,844)	—	—	(3,518,240)	—	—	—	—	(4,164,084)
Adjustments to bookstore's reserve for inventory and facility improvements	—	2,358,228	—	—	—	—	—	—	—	2,358,228
Adjustments to worker's compensation payable reserve	1,900,000	—	—	—	—	—	—	—	—	1,900,000
Adjustments and reclass	2,776,565	1,904,603	316,472,627	—	5,266,625	(1)	—	—	—	326,420,419
June 30, 2019 unaudited ending fund balance	180,413,944	133,133,854	316,472,627	—	207,870,786	3,274,164	7,879,978	—	—	849,045,353
Current assets:										
Adjustment to receivables	—	—	—	—	—	—	—	—	—	—
Adjustment to payables	—	—	—	—	—	—	—	—	—	—
Adjustment to cash and deposit with trustee	—	—	—	—	—	—	—	—	(962,044)	(962,044)
Prepaid assets	—	—	—	—	—	—	—	—	153,717,132	153,717,132
Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	—	4,409,827,535	—	4,409,827,535
Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	—	—
GASB Statement No. 75 implementation adjustment – OPEB	—	—	—	—	—	—	—	—	(583,197,531)	(583,197,531)
Deferred Outflows	—	—	—	—	—	—	—	—	214,420,475	214,420,475
Long-term liabilities are not booked as part of fund balances:										
G.O. bonds	—	—	—	—	—	—	—	40,376,232	(3,930,390,003)	(3,890,013,771)
Unamortized premiums bond	—	—	—	—	—	—	—	—	(346,356,709)	(346,356,709)
Pension obligation	—	—	—	—	—	—	—	—	(742,539,054)	(742,539,054)
Supplemental retirement plan	—	—	—	—	—	—	—	—	(16,695,203)	(16,695,203)
Workers' compensation claims payable	—	—	—	—	—	—	—	—	(37,787,000)	(37,787,000)
General liability	—	—	—	—	—	—	—	—	(12,364,000)	(12,364,000)
Vacation benefits payable	—	—	—	—	—	—	—	—	(18,048,481)	(18,048,481)
Capital lease payable	—	—	—	—	—	—	—	—	(136,492)	(136,492)
Deferred inflows	—	—	—	—	—	—	—	—	(90,423,604)	(90,423,604)
June 30, 2019 net position	\$ 180,413,944	133,133,854	316,472,627	—	207,870,786	3,274,164	7,879,978	4,450,203,767	(5,410,762,514)	(111,513,394)

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of Education Protection Account (EPA) Expenditures to Audited Financial Statements

Year ended June 30, 2019

<u>Activity classification</u>	<u>Activity code</u>				<u>Total</u>
EPA proceeds	8630				\$ 93,841,245
		Salaries and benefits (1000-3000)	Operating expenses (4000-5000)	Capital outlay (6000)	Total
<u>Activity classification</u>	<u>Activity code</u>				
Instructional activities	0100-5900	\$ 93,485,298	—	—	93,485,298
Other support activities	6XXX	355,947	—	—	355,947
Total expenditures for EPA		<u>\$ 93,841,245</u>	<u>—</u>	<u>—</u>	<u>93,841,245</u>
Revenue less expenditures					<u>\$ —</u>

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of Governmental Funds to the Statement of Net Position

Year ended June 30, 2019

	General fund	Special revenue fund	Debt service fund	Retirees' health insurance fund	Building Fund	Student financial aid fund	ASO fund *	Scholarship loan fund	General long-term fixed assets	Other GASB adj to general long-term debt	Total
June 30, 2019 unaudited ending fund balance	\$ 180,413,944	133,133,854	316,472,627	—	207,870,786	3,274,164	7,879,978	—	—	—	849,045,353
Current assets:											
1 Adjustment to receivables	—	—	—	—	—	—	—	—	—	—	—
2 Adjustment to payables	—	—	—	—	—	—	—	—	—	—	—
3 Adjustment to cash and deposit with trustee	—	—	—	—	—	—	—	—	—	(962,044)	(962,044)
4 Prepaid assets	—	—	—	—	—	—	—	—	—	—	—
5 Capital assets are not financial resources and therefore are not reported as assets in government funds	—	—	—	—	—	—	—	—	4,409,827,535	—	4,409,827,535
6 Other assets are not financial resources and therefore not reported as assets in government funds	—	—	—	—	—	—	—	—	—	—	—
7 Deferred outflows	—	—	—	—	—	—	—	—	—	368,137,607	368,137,607
Long-term liabilities are not booked as part of fund balances:											
8 G.O. bonds	—	—	—	—	—	—	—	—	40,376,232	(3,930,390,003)	(3,890,013,771)
9 Unamortized premiums bond	—	—	—	—	—	—	—	—	—	(346,356,709)	(346,356,709)
10 Pension obligation	—	—	—	—	—	—	—	—	—	(742,539,054)	(742,539,054)
11 GASB Statement No. 75 implementation adjustment – OPEB	—	—	—	—	—	—	—	—	—	(583,197,531)	(583,197,531)
12 Supplemental Retirement Plan	—	—	—	—	—	—	—	—	—	(16,695,203)	(16,695,203)
13 Workers' compensation claims payable	—	—	—	—	—	—	—	—	—	(37,787,000)	(37,787,000)
14 General liability	—	—	—	—	—	—	—	—	—	(12,364,000)	(12,364,000)
15 Vacation benefits payable	—	—	—	—	—	—	—	—	—	(18,048,481)	(18,048,481)
16 Capital lease payable	—	—	—	—	—	—	—	—	—	(136,492)	(136,492)
17 Deferred Inflows	—	—	—	—	—	—	—	—	—	(90,423,604)	(90,423,604)
June 30, 2019 net position	\$ 180,413,944	133,133,854	316,472,627	—	207,870,786	3,274,164	7,879,978	—	4,450,203,767	(5,410,762,514)	(111,513,394)

* This includes ASO Trust Fund and Student Representation Fee Trust Fund.

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2019

(1) Purpose of Schedules

(a) Schedule of Expenditures of Federal Awards (SEFA)

The Schedule of Expenditures of Federal Awards includes all federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies for the year ended June 30, 2019.

(b) Schedule of State Awards

This Schedule of State Awards includes the State grant activity of the District under categorical programs of the State of California for the year ended June 30, 2019.

(c) Schedule of Workload Measures for State General Apportionment

The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data. "Full-time Equivalent Students" (FTES) is a measurement of the number of students attending classes of the District.

(d) Reconciliation of the 50% Law Calculation to Audited Financial Statements

This schedule provides the information necessary to reconcile the 50% Law Calculation reported on the CCFS-311 to the Audited Financial Statements.

(e) Reconciliation of Annual Financial and Budget Report (CCFS-311) to Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the Audited Financial Statements.

(f) Reconciliation of Education Protection Account (EPA) Expenditures to Audited Financial Statements

This schedule reports the District's EPA proceeds and summarizes how the EPA proceeds were spent.

(g) Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the governmental fund balances included in the supplementary information to the Statement of Net Position.

(2) Basis of Presentation and Accounting of the Schedule of Expenditures of Federal Awards and State Awards

(a) Basis of Presentation

The District's reporting entity is defined in the basic financial statements.

(i) Schedule of Expenditures of Federal Awards (SEFA)

The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The SEFA presents only a selected portion

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2019

of the operations of the District. It is not intended to and does not represent the financial position, changes in net assets, or cash flows of the District.

(ii) *Schedule of State Awards*

The information in the Schedule of State Awards is presented to comply with the reporting requirements of the *California Community Colleges Contracted District Audit Manual 2018–19*.

(b) Basis of Accounting

The accompanying SEFA and the Schedule of State Awards are presented using the accrual basis of accounting.

Expenditures on the SEFA are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District utilizes a negotiated indirect cost rate for salary and wages of 40% which will expire on June 30, 2021.

(3) Reconciliation of the Schedule of State Awards to the Basic Financial Statements

Amounts reported in the accompanying Schedule of State Awards agree with the amounts reported in the related fund statements, in all material respects.

State Revenue in Fund Statements

General fund	\$ 558,682,280
Special reserve funds	971,385
Child development fund	8,472,182
Student financial aid fund	<u>31,942,123</u>
Total state revenue in fund statements	\$ <u><u>600,067,970</u></u>

State Revenue in Schedule of State Awards

Total state revenue	\$ 175,621,998
Add general fund:	
Basic and equalization aid	375,299,697
State mandated costs	2,978,508
State lottery	21,888,404
Tax relief subvention	7,952,820
Other state funds	<u>15,355,158</u>
Total general fund revenue	423,474,587
Add special revenue fund:	
Community College Construction Act	<u>971,385</u>
Total state revenue in fund statements	\$ <u><u>600,067,970</u></u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2019

(4) Federal Student Loan Programs

The federal student loan programs listed below are administered directly by the District, and balances and transactions relating to these programs are included in the District’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year and administrative cost allowances are included in the federal expenditures presented in the SEFA. Loan advances made to students for the year ended June 30, 2019 and loans outstanding held by the District as of June 30, 2019 are as follows:

<u>Cluster name/program title</u>	<u>CFDA number</u>	<u>Loan advances made</u>	<u>Loan balances outstanding</u>
Student Financial Assistance Cluster:			
Federal Perkins Loan Program	84.038	\$ —	3,031,829
Federal Direct Student Loans	84.268	19,815,379	—
Nursing Student Loans	93.364	—	63,092

(5) Administrative Cost Allowances

Administrative cost allowances included in the accompanying SEFA are summarized as follows:

Federal Supplemental Educational Opportunity Grant	\$ 173,888
Federal Work-Study Program	—
	<u>\$ 173,888</u>

(6) Federal Clusters Of Programs

The following table summarizes the expenditures of federal program clusters included in the SEFA:

	<u>CFDA number</u>	<u>Expenditures</u>
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 4,461,798
Federal Work Study (FWS)	84.033	3,064,644
Federal Perkins Loan Program (FPL)	84.038	3,031,829
Federal Pell Grant Program (PELL)	84.063	143,277,272
Federal Direct Student Loans (Direct Loan)	84.268	19,815,379
Nursing Student Loans	93.364	63,092
		<u>\$ 173,714,014</u>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Other Supplemental Information

Year ended June 30, 2019

	<u>CFDA number</u>	<u>Expenditures</u>
TRIO Cluster:		
TRIO – Student Support Services	84.042	\$ 2,232,604
TRIO – Talent Search	84.044	599,600
TRIO – Upward Bound	84.047	2,056,103
TRIO – Educational Opportunity Centers	84.066	<u>247,607</u>
		\$ <u>5,135,914</u>
477 Cluster:		
Temporary Assistance for Needy Families (TANF)	93.558	\$ 1,061,924
Family Child Care Homes	93.575	90,498
Family Child Care Homes	93.596	196,865
General Child Care and Development Program	93.575	335,491
General Child Care and Development Program	93.596	<u>729,817</u>
		\$ <u>2,414,595</u>
Workforce Innovation and Opportunity Act (WIOA) Cluster:		
EDD Strengthening Working Families	17.258	\$ 94,944
EDD Strengthening Working Families	17.258	99,171
Dislocated Worker Formula Grants	17.278	<u>637</u>
		\$ <u>194,752</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' 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*

The Honorable Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Los Angeles Community College District (the District), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California
December 4, 2019

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Los Angeles Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings FA 2019-001 to FA 2019-012. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2019-008 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 2019-001, FA 2019-004, FA 2019-006 and FA 2019-007 to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.



Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vaughan & Company LLP

**Glendale, California
December 4, 2019**

Independent Auditors' Report on Schedule of Expenditures of Federal Awards and Schedule of State Awards

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California

Report on the Schedule of Expenditures of Federal Awards and Schedule of State Awards

We have audited the accompanying schedule of expenditures of federal awards and schedule of state awards of the Los Angeles Community College District (the District) for the year ended June 30, 2019.

Management's Responsibility for the Schedule of Expenditures of Federal Awards and Schedule of State Awards

Management is responsible for the preparation and fair presentation of the schedule of expenditures of federal awards and schedule of state awards in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule of expenditures of federal awards and the schedule of state awards that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of expenditures of federal awards and schedule of state awards are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of expenditures of federal awards and schedule of state awards. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of expenditures of federal awards and schedule of state awards, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of expenditures of federal awards and the schedule of state awards in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of expenditures of federal awards and schedule of state awards.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Schedule of Expenditures of Federal Awards and Schedule of State Awards

In our opinion, the schedule of expenditures of federal awards and schedule of state awards referred to above present fairly, in all material respects, the federal and state expenditures of the Los Angeles Community College District for the year ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District's management, the California Community Colleges Chancellor's Office, and the federal and state awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Vasquez & Company LLP".

**Glendale, California
December 4, 2019**

Independent Auditors' Report on State Compliance

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

Report on State Compliance

We have audited the Los Angeles Community College District's (the District) compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2019.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.



Compliance Requirements

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

- Section 421 - Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Dual Enrollment (College and Career Access Pathways (CCAP) and Non-CCAP)
- Section 430 - Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 439 - Proposition 39 Clean Energy
- Section 444 - Apprenticeship Related and Supplemental Instruction (RSI)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D and 51 State Bond Funded Projects
- Section 491 - Proposition 55 Education Protection Account Funds

Opinion on State Compliance

In our opinion, Los Angeles Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs listed above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office, and which are described in the accompanying schedule of findings and questioned costs as findings SC 2019-001 through SC 2019-005. Our opinion on the state programs listed above is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



Report on Other Supplemental Information

We have audited the District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2019.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office. The other supplemental information on pages 73 through 91 is presented for purposes of additional analysis as required by the California Community Colleges CDAM issued by the California Community Colleges Chancellor's Office.

The other supplemental information is the responsibility of management. Such information has been subjected to the auditing procedures applied in the audit of the District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*, issued by the California Community Colleges Chancellor's Office, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records, financial statements as of and for the year ended June 30, 2019 audited by other auditors, whose report is included herein on pages 1 through 3, and other records, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplemental information is fairly stated, in all material respects, in relation to financial statements taken as a whole, audited by other auditors whose report was dated December 4, 2019.

Purpose of This Report

The purpose of this report is solely to describe the results of our testing of compliance based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2018-19*. Accordingly, this report is not suitable for any other purpose.

Glendale, California
December 4, 2019

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITORS' RESULTS**

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Summary of Auditors' Results

Year ended June 30, 2019

(1) Summary of Auditors' Results

Financial Statements

a) The type of report issued on the financial statements: **Unmodified.**

b) Internal control over financial reporting:

- Material Weakness(es) identified: **No.**
- Significant deficiencies identified that are not considered to be material weaknesses: **None reported.**

c) Noncompliance which is material to the basic financial statements: **No.**

Federal Awards

d) Internal control over major programs:

- Material Weakness(es) identified: **Yes.** See FA 2019-008.
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes.** See FA 2019-001, FA 2019-004, FA 2019-006 and FA 2019-007.

e) The type of report issued on compliance for major programs:

- Student Financial Assistance Cluster **Unmodified.**
- TRIO Cluster **Unmodified.**
- Higher Education – Institutional Aid **Unmodified.**
- Career and Technical Education – Basic Grants to States (Perkins IV) **Unmodified.**

f) Any audit findings which are required to be reported in accordance with the Uniform Guidance: **Yes.** See findings FA 2019-001 to FA 2019-012

g) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Summary of Auditors' Results

Year ended June 30, 2019

h) Major Programs

- Student Financial Assistance (SFA) Cluster
 - CFDA 84.007 Federal Supplemental Educational Opportunity Grant (FSEOG)
 - CFDA 84.033 Federal Work Study (FWS)
 - CFDA 84.038 Federal Perkins Loans (FPL)
 - CFDA 84.063 Federal Pell Grant (PELL)
 - CFDA 84.268 Federal Direct Student Loans (Direct Loan)
 - CFDA 93.364 Nursing Student Loans
- TRIO Cluster
 - CFDA 84.042 TRIO – Student Support Services
 - CFDA 84.044 TRIO – Talent Search
 - CFDA 84.047 TRIO – Upward Bound
 - CFDA 84.066 TRIO – Educational Opportunity Centers
- CFDA 84.031 Higher Education – Institutional Aid
- CFDA 84.048 Career and Technical Education – Basic Grants to States Perkins IV

i) Auditee qualified as a low-risk auditee under the Uniform Guidance: **Yes.**

State Awards

j) Internal control over compliance for state programs:

- Material Weakness(es) identified: **None.**
- Significant deficiencies identified that are not considered to be material weaknesses: **None.**

k) The type of report issued on compliance for state programs: **Unmodified.**

(2) Summary of Financial Statement Findings

None

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Summary of Auditors' Results

Year ended June 30, 2019

(3) Summary of Federal Findings

Finding No.	CFDA No.	Compliance and Description	Page No.
SFA Cluster:			
FA 2019-001	SFA Cluster	<i>Eligibility:</i> Incorrect Federal Pell Grants Amounts Awarded (Repeat Finding)	107
FA 2019-002	SFA Cluster	<i>Eligibility:</i> Lack of Notification of Disbursement	112
FA 2019-003	SFA Cluster	<i>Eligibility</i> Incorrect Priority for FSEOG Awards	114
FA 2019-004	SFA Cluster	<i>Special Tests and Provisions – Verification:</i> Inaccurate information found in Verification Documents (Repeat Finding)	116
FA 2019-005	SFA Cluster	<i>Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loans):</i> Untimely Direct Loan Disbursement (Repeat Finding)	119
FA 2019-006	SFA Cluster	<i>Special Tests and Provisions – Return of Title IV Funds:</i> Incorrect Calculation of Return to Title IV Funds, Untimely Notification of Grant Overpayment to Students and Secretary, and Untimely Return of Unearned Title IV funds (Repeat Finding)	121
FA 2019-007	SFA Cluster	<i>Special Tests and Provisions – Enrollment Reporting:</i> Inaccurate and Untimely Reporting of Change in Status (Repeat Finding)	128
FA 2019-008	SFA Cluster	<i>Special Tests and Provisions – Gramm-Leach Bliley Act – Student Information Security:</i> Lack of Written Information Security Plan and Outdated IT Policies; Improve Configuration Management to Reduce Security Risk	133
FA 2019-009	SFA Cluster	<i>Reporting:</i> Inaccurate Disbursement Information Reported to COD	138
Higher Education – Institutional Aid:			
FA 2019-010	84.031	<i>Activities Allowed or Unallowed and Allowable Costs/Cost Principles:</i> Lack of Supporting Documents	140

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

Summary of Auditors' Results

Year ended June 30, 2019

Finding No.	CFDA No.	Compliance and Description	Page No.
TRIO Cluster:			
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(4) Summary of State Findings

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SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS

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**Finding FA 2019-001: Eligibility: Incorrect Federal Pell Grant Amounts Awarded
(Repeat Finding)**

Federal Program Information

Federal Catalog Number: CFDA 84.063

Federal Program Name: **Student Financial Assistance Cluster;**
Federal Pell Grant Program

Federal Agency: U.S. Department of Education

Passed Through Entity: N/A

Federal Award Number: P063P185263, P063P180658, P063P180035, and P063P185260

Federal Award Year: July 1, 2018, to June 30, 2019

Campuses: East Los Angeles College
Los Angeles Mission College
Los Angeles Pierce College
Los Angeles Trade Technical College (Repeat Finding)

Compliance Requirement: Eligibility

Criteria or Specific Requirement:

Per 34 Code of Federal Regulations (CFR) 690.62 Calculation of a Federal Pell Grant, the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

The *Uniform Guidance Compliance Supplement* states that the Department of Education provides institutions Payment and Disbursement Schedules for determining Pell awards each year. The Payment or Disbursement Schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, Expected Family Contribution (EFC) and Cost of Attendance (COA). The Payment Schedule is used to determine the annual award for full-time, three-quarter time, half-time, and less-than-half-time students.

2 CFR section 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

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Identified Condition:

East Los Angeles College

Of the 30 students selected for eligibility test work, we noted the following:

- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$25. The student was eligible to receive \$1,063, yet the student received \$1,088 during the academic year.
- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an understatement of the disbursement to the student by \$13. The student was eligible to receive \$544, yet the student received \$532 in Summer 2018.
- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$762. The student was eligible to receive \$2,286, yet the student received \$3,048 in Fall 2018.

Los Angeles Mission College

Of the 30 students selected for eligibility test work, we noted the following:

- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$381. Based on the estimated family contribution (EFC), the student was ineligible to receive a Pell grant award, yet the student received \$381 in Fall 2018.
- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$937. The student was eligible to receive \$475, yet the student received \$1,412 in Spring 2019.
- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an understatement of the disbursement to the student by \$532. The student was eligible to receive \$532, yet the student received none in Summer 2019.
- 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an understatement of the disbursement to the student by \$980. The student was eligible to receive \$1,524, yet the student received \$574 in Spring 2019.

Los Angeles Pierce College

Of the 30 students selected for eligibility test work, we noted 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an understatement of the disbursement to the student by \$544. The student was eligible to receive \$544, yet the student received none in Summer 2019.

Los Angeles Trade Technical College

Of the 14 students selected for eligibility test work, we noted 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$762. The student was eligible to receive \$2,285, yet the student received \$3,047 in Spring 2019.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
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Causes and Effect:

The student information system (SIS) was implemented in fiscal year 2018019. SIS calculated the budgets incorrectly for students meeting the following criteria: enrolled in fall-only, later enrolled in spring, less than half time (LTHT) enrollment status, and EFC greater than zero. As a result, for students meeting these criteria, the student budget calculated by SIS may be overstated. Note that for a student enrolled in a single term, SIS utilizes a full year student budget amount. If the student later enrolls in a new term, SIS incorrectly increases the student budget by adding the new term budget to the existing term budget, thus overstating a student's budget amount. Incorrect budget calculations may result in student over awards.

Another student was overpaid because a user edit message (UEM) was not assigned by the SIS to prevent disbursement. UEMs are essentially a service indicator or flag that is placed on a student's account to prevent the system from either "repackaging" or disbursement for the current term. UEMs are placed on students whose awards are affected due to changes in student status or other information. For this particular student, the UEM for disbursement was removed or not placed on the student.

The institution is liable for over awards. Additionally, the U.S. Department of Education may determine the institution as lacking of administrative capability over federal awards.

Questioned Costs:

A. Description of Sample and Population

Campus	OPEID	Sample		Population from which the Sample was drawn	
		Students Receiving Pell (No.)	Pell Disbursed (\$)	Students Receiving Pell (No.)	Pell Disbursed (\$)
East	02226000	30	\$ 105,498	8,446	\$ 30,664,557
Mission	01255000	30	101,446	2,609	9,309,264
Pierce	00122600	30	130,639	5,348	20,408,906
Trade	00122700	14	49,218	4,534	15,349,186
		<u>104</u>	<u>\$ 386,801</u>	<u>20,937</u>	<u>\$ 75,731,913</u>

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B. Description of Finding

<u>Campus</u>	<u>Student Identifier</u>	<u>OPEID</u>	<u>Pell Disbursed (\$)</u>	<u>Pell Underpayment (\$)</u>	<u>Pell Overpayment (\$)</u>	<u>Net Effect (\$)</u>
East	Student #1	02226000	\$ 1,088	—	25	25
East	Student #2	02226000	532	(13)	—	(13)
East	Student #3	02226000	3,048	—	762	762
Mission	Student #4	01255000	381	—	381	381
Mission	Student #5	01255000	1,412	—	937	937
Mission	Student #6	01255000	—	(532)	—	(532)
Mission	Student #7	01255000	574	(980) **	— **	—
Pierce	Student #8	00122600	—	(544)	—	(544)
Trade	Student #9	00122700	3,047	—	762	762
			<u>\$ 10,082</u>	<u>(2,069)</u>	<u>2,867</u>	<u>1,778</u>

** The college disbursed the award after the fact in October 2019. Thus, this was excluded from the Net Effect column used to calculate questioned costs.

The District has a:

- Known net overstatement of Pell grant award disbursements of \$1,778.
- Projected net overstatement of Pell grant awards disbursements of \$449,755. This is computed by dividing the errors found in samples (\$1,778) over the total award in the sample size (\$386,801) multiplied by the total awards for the identified colleges (\$75,731,913). The computation is made on a per campus basis and not on a total campus basis.

Recommendation:

We recommend that the District make the necessary system modifications to the SIS in order to ensure student budgets are properly calculated. This will help ensure that Federal Pell grants are properly awarded to students who meet the eligibility requirements.

Views of Responsible Officials and Planned Corrective Actions:

The District concurs with the finding and has taken corrective action to remediate the issue. Last year the SIS was configured so that it would not disburse to students that are enrolled less than half time (LTHT) and also have a Pell award that is higher than \$544. This is an effective control for LTHT students that have a zero EFC. However, the new issue identified in the current year relates to LTHT students that do not have a zero EFC. These types of students were not considered in the current corrective action plan because the incorrect award amount would be less than \$544. To remediate the issue, the Central Financial Aid Unit (CFAU) will place a user edit message (UEM) for all LTHT students that have an EFC greater than zero to prevent disbursement. The campuses will be provided with a list of students that meet this criterion so that they can manually update the student's budgets and recalculate eligibility accordingly.

In addition to the LTHT issue mentioned above, one student had a Pell overpayment because a user edit message (UEM) was not assigned by the SIS to prevent disbursement. The issue was identified and all students that are not automatically repackaged by the system are now assigned a UEM to prevent disbursement.

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Persons responsible for implementation: Ludwig Perez, Lindy Fong, Anafe Robinson, Dennis Schroeder, and Steve Giorgi

Position of responsible personnel: Financial Aid Managers

Expected date of Implementation: Automated solution is expected to be implemented by the end of the 2019 fall term.

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Finding FA 2019-002: Eligibility: Lack of Notification of Disbursement

Federal Program Information

Federal Catalog Number: CFDA 84.063

Federal Program Name: **Student Financial Assistance Cluster;**
Federal Pell Grant Program

Federal Agency: U.S. Department of Education

Passed Through Entity: N/A

Federal Award Number: P063P185263, P063P180658, and P063P180035

Federal Award Year: July 1, 2018, to June 30, 2019

Campuses: East Los Angeles College
Los Angeles Mission College
Los Angeles Pierce College

Compliance Requirement: Eligibility

Criteria or Specific Requirement:

Per 34 Code of Federal Regulations 668.165 *Notices and Authorizations*, before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan program funds, the notice must indicate which funds are from subsidized loans, which are from unsubsidized loans, and which are from PLUS loans.

Identified Condition:

Of the 30 students selected for eligibility testwork at each college, we noted the following number of students that received disbursements prior to receiving a formal notification of disbursement from the respective college:

- *East Los Angeles College* – 7 out of 30 students
- *Los Angeles Mission College* – 5 out of 30 students
- *Los Angeles Pierce College* – 3 out of 30 students

Causes and Effect:

Central Financial Aid Unit (CFAU) ran the Fall 2018 award notification process manually and did not schedule the process to run nightly because they were already running processes for two academic years nightly and were concerned that adding the award notification process would create issues for the system. Lack of proper system configurations could result in the untimely notification of students prior to disbursements.

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Questioned Costs:

None

Recommendation:

We recommend that the District make the necessary system modifications to the SIS in order to ensure that the students are properly notified in a timely manner prior to disbursement.

Views of Responsible Officials and Planned Corrective Actions:

The District concurs with the finding. The District has resolved this issue by scheduling the award notification process to run daily. As students are awarded aid the system will automatically send an award notification communication ensuring that notification takes place prior to disbursement. The new process has already been scheduled in the SIS.

Persons responsible for implementation: Steve Giorgi
Position of responsible personnel: Financial Aid Manager
Expected date of Implementation: Currently implemented

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Finding FA 2019-003: Eligibility: Incorrect Priority for FSEOG Awards

Federal Program Information

Federal Catalog Number: CFDA 84.007

Federal Program Name: **Student Financial Assistance Cluster;**
Federal Supplemental Educational Opportunity Grants (FSEOG)

Federal Agency: U.S. Department of Education

Passed Through Entity: N/A

Federal Award Number: P007A180676

Federal Award Year: July 1, 2018, to June 30, 2019

Campus: West Los Angeles College

Compliance Requirement: Eligibility

Criteria or Specific Requirement

Per 34 CFR 676.10 Selection of students for FSEOG awards,

- (1) In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contributions who will also receive Federal Pell Grants in that year.
- (2) If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Federal Pell Grants.

Identified Condition:

We reviewed all FSEOG student recipients (total of 9,534 students) at West Los Angeles College and noted 2 students who were not recipients of Federal Pell Grants. These students should have been included only in the second selection group after all FSEOG awards had been initially awarded to Federal Pell Grant recipients for not all Federal Pell Grant recipients in the campus had received FSEOG for the current award year.

Causes and Effect:

A technician manually added awards to two students that were not eligible for FSEOG. The campuses should not manually add FSEOG because the SIS uses specific eligibility criteria and automatically awards FSEOG based on specific eligibility criteria. The improper awards have to be returned to the program resulting in a liability to the institution.

Questioned Costs:

The students were incorrectly awarded FSEOG in the amount of \$400.

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Recommendation:

We recommend that the District review and update its policies and procedures related to FSEOG student selection criteria as set forth in 34 CFR 676.10. Additionally, the District should implement stricter controls and monitoring procedures to ensure adherence to the FSEOG student selection criteria prescribed by the federal regulations.

Views of Responsible Officials and Planned Corrective Actions:

The District concurs with the finding. The District has reviewed its policies and procedures related to FSEOG student selection criteria as set forth in 34 CFR 676.10. The District will remind all campuses that the awarding of FSEOG is an automated process and should not be manually scheduled in the system. Per District policy, manually scheduled awards should be approved by the FA Supervisor or FA Manager.

Persons responsible for implementation: Glenn Schenck and Steve Giorgi

Position of responsible personnel: Financial Aid Manager

Expected date of Implementation: 10/25/2019

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Finding FA 2019-004: Special Tests and Provisions – Verification: Inaccurate information found in Verification Documents (Repeat Finding)

Federal Program Information

<i>Federal Catalog Number:</i>	CFDA 84.063
<i>Federal Program Name:</i>	Student Financial Assistance Cluster; <i>Federal Pell Grant Program</i>
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P063P185263 and P063P180035
<i>Federal Award Year:</i>	July 1, 2018, to June 30, 2019
<i>Campuses:</i>	East Los Angeles College Los Angeles Pierce College
<i>Compliance Requirement:</i>	Special Tests and Provisions – Verification

Criteria or Specific Requirement:

The *Uniform Guidance Compliance Supplement* requires auditors of an institution that does not have a Quality Assurance Procedure, to select a sample of applications that were selected by ED for verification and review the student aid files for those applications to ascertain that the institution (1) obtained acceptable documentation to verify the information required for the Verification Tracking Group to which the applicant is assigned; (2) matched information on the documentation to the student aid application; and, (3) if necessary, submitted data corrections to the central processor and recalculated awards.

2 *CFR section 200.303* requires that non-Federal entities receiving Federal awards establish and maintain internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Identified Condition:

East Los Angeles College

Of the 30 students selected for verification test work, we noted 1 student with an incorrect Adjusted Gross Income (AGI). This resulted in an understatement of Expected Family Contribution (EFC) by \$54, but did not have an impact on the student's Federal Pell Grant award.

Los Angeles Pierce College

Of the 30 students selected for verification test work, we noted 1 student with an incorrect number of household members, which resulted in an understatement of Expected Family Contribution (EFC) by \$1,116. This resulted in an overstatement of Federal Pell Grant disbursement by \$1,081.

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Causes and Effect:

Verification was not performed correctly due to human error. Inadequate controls to ensure that proper verification procedures are performed could lead to improper federal awards to students. Improper awards create a liability for the institution because they have to be paid back by the institution. Incorrect verification could lead to disciplinary action by the U.S. Department of Education as it is an indication of lack of administrative capabilities.

Questioned Costs:

A. Description of Sample and Population

<u>Campus</u>	<u>OPEID</u>	<u>Sample</u>		<u>Population from which the Sample was drawn</u>	
		<u>Students Receiving Pell (No.)</u>	<u>Pell Disbursed (\$)</u>	<u>Students Receiving Pell (No.)</u>	<u>Pell Disbursed (\$)</u>
East	0226000	30	\$ 92,222	3,834	\$ 14,347,007
Pierce	00122600	30	113,633	2,377	9,333,329
		<u>60</u>	<u>\$ 205,855</u>	<u>6,211</u>	<u>\$ 23,680,336</u>

B. Description of Finding

<u>Campus</u>	<u>Student identifier</u>	<u>OPEID</u>	<u>Pell Disbursed (\$)</u>	<u>Pell Underpayment (\$)</u>	<u>Pell Overpayment (\$)</u>	<u>Net Effect (\$)</u>
East	Student# 1	02226000	\$ 3,048	—	—	—
Pierce	Student# 2	00122600	2,654	—	1,081	1,081
			<u>\$ 5,702</u>	<u>—</u>	<u>1,081</u>	<u>1,081</u>

The District has a:

- Known over-award of the Federal Pell Grant of \$1,081.
- Projected net overstatement of disbursement in the amount of \$88,789. This is computed by dividing errors found in samples (\$1,081) over the total award in the sample size (\$205,855) multiplied by the total awards for the identified colleges (\$23,680,366). The computation is done on a per campus basis and not on a total basis.

Recommendation:

To ensure that federal assistance funds are being awarded as intended and truly being used to provide aid to individuals in need, we recommend that the District evaluate and improve its existing policies and procedures over the verification process to ensure the accuracy of information provided on the application received, which is used in determining federal awards

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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Views of Responsible Officials and Planned Corrective Actions:

The District concurs with the finding. The campus will review the verification policy and procedure with staff and will also conduct refresher training. In addition, the District has implemented a new automated verification solution that collects verification information provided by the student and then compares it to information stored on the student's ISIR. The verification automatically identifies discrepancies that must be resolved by the campus before verification can be completed.

Persons responsible for implementation: Anafe Robinson and Lindy Fong will conduct verification training with their staff. Steve Giorgi is responsible for the implementation of the verification solution.

Position of responsible personnel: Financial Aid Managers

Expected date of Implementation: Was implemented for the 2019-20 award year.

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Finding FA 2019-005: Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loans): Untimely Reporting of Direct Loan Disbursement

Federal Program Information

<i>Federal Catalog Number:</i>	CFDA 84.268
<i>Federal Program Name:</i>	Student Financial Assistance Cluster; <i>Federal Direct Student Loans</i>
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P268K190658
<i>Federal Award Year:</i>	July 1, 2018, to June 30, 2019
<i>Campus:</i>	Los Angeles Mission College
<i>Compliance Requirement:</i>	Special Tests and Provisions - Borrower Data Transmission and Reconciliation

Criteria or Specific Requirement:

The *Uniform Guidance Compliance Supplement* requires that institutions report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 15 days of disbursement (OMB No. 1845-0021).

Identified Condition:

Of the 30 students selected for compliance test work at Los Angeles Mission College, we noted that 1 student was reported late to the DLSS via the COD report. The required report was submitted 42 days after the disbursement was made to the student and, therefore, the submission was 27 days late.

Causes and Effect:

Adequate monitoring controls do not appear to be in place to ensure that direct loan disbursements are reported to COD pursuant to required submittal dates. The effect is that disbursement information is not reported to the US Department of Education timely and is not accurate. Incorrect and/or untimely reporting could result in additional oversight and the institution could be deemed lacking administrative capability.

Questioned Costs:

None.

Recommendation:

We recommend that the District implement additional monitoring controls to ensure compliance with the due date submission requirements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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Views of Responsible Officials and Planned Corrective Actions:

The District concurs with the finding. The student took 3 units in fall and 3 units in winter. We have a custom automated process in the SIS that adds the fall and winter units together so that they can be counted in the fall term. That process stops running a month after the fall term ends because it is no longer needed. This particular student applied for a loan well after the automated process stopped running. As a result, the student's loans could not be automatically processed because the system was only counting the 3 units for fall (must be enrolled for at least 6 units). In order to process the loan, the campus had to manually override the units, disburse the funds in the system, and then update the disbursement information in COD. It appears the campus performed the proper procedures except for updating the disbursement information in COD.

The District believes this is likely an isolated incident because the District processes very few loans after the end of the term. However, to ensure this does not happen again, we will update our policy and procedure to reflect that campuses must manually disburse in the system and also update COD.

Persons responsible for implementation: Steve Giorgi
Position of responsible personnel: Financial Aid Manager
Expected date of Implementation: Spring 2020

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Finding FA 2019-006: Special Tests and Provisions Return of Title IV Funds: Incorrect Calculation of Return to Title IV Funds, Untimely Notification of Grant Overpayment to Students and Secretary and Untimely Return of Unearned Title IV funds (Repeat Finding)

Federal Program Information

Federal Catalog Number: CFDA 84.063 and 84.268

Federal Program Name: **Student Financial Assistance Cluster;**
Federal Pell Grant Program
Federal Direct Student Loans

Federal Agency: U.S. Department of Education

Passed Through Entity: N/A

Federal Award Number: P063P185263, P063P180034, P063P180658, P063P180035, and P063P185260
P268K195263, P268K190034, P268K190658, P268K190035, and P268K195260

Federal Award Year: July 1, 2018, to June 30, 2019

Campuses: East Los Angeles College
Los Angeles Harbor College (Repeat Finding)
Los Angeles Mission College
Los Angeles Pierce College
Los Angeles Trade Technical College (Repeat Finding)
Los Angeles Valley College (Repeat Finding)

Compliance Requirement: Special Tests and Provisions – Return of Title IV Funds

Criteria or Specific Requirement:

Per 34 Code of Federal Regulations 668.22 Treatments of Title IV Funds.

- A. When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of 34 Code of Federal Regulations 668.22.

In addition, the *Uniform Guidance Compliance Supplement* requires auditors to identify a sample of students who received Title IV assistance who withdrew, dropped out, or never began attendance during the audit period. Auditors are to review the return of Title IV funds determinations/calculations for conformity with Title IV requirements.

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- B. Within 30 days of the date of the institution's determination that the student withdrew, an institution must send a notice to any student who owes a title IV, HEA grant overpayment as a result of the student's withdrawal from the institution in order to recover the overpayment in accordance with paragraph (h)(4)(i) of this section.

An institution must refer to the Secretary, in accordance with procedures required by the Secretary, an overpayment of Title IV, HEA grant funds owed by a student as a result of the student's withdrawal from the institution if— (A) The student does not repay the overpayment in full to the institution, or enter a repayment agreement with the institution or the Secretary in accordance with paragraph (h)(4)(i) of this section within the earlier of 45 days from the date the institution sends a notification to the student of the overpayment or 45 days from the date the institution was required to notify the student of the overpayment;

Per 668.173 Refund reserve standards.

- C. In accordance with procedures established by the Secretary or FFEL Program lender, an institution returns unearned title IV, HEA program funds timely if—
- 1) The institution deposits or transfers the funds into the bank account it maintains under §668.163 no later than 45 days after the date it determines that the student withdrew;
 - 2) The institution initiates an electronic funds transfer (EFT) no later than 45 days after the date it determines that the student withdrew;
 - 3) The institution initiates an electronic transaction, no later than 45 days after the date it determines that the student withdrew, that informs an FFEL lender to adjust the borrower's loan account for the amount returned; or
 - 4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. An institution does not satisfy this requirement if—
 - i. The institution's records show that the check was issued more than 45 days after the date the institution determined that the student withdrew; or
 - ii. The date on the canceled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

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Identified Condition:

Summary

No.	Identified Condition	Campus
A.	Incorrect Calculation of Return to Title IV Funds	East Los Angeles College Los Angeles Harbor College Los Angeles Mission College Los Angeles Pierce College Los Angeles Trade Technical College Los Angeles Valley College
B.	Untimely Notification of Grant Overpayment to Students and Secretary	East Los Angeles College Los Angeles Harbor College Los Angeles Mission College Los Angeles Trade Technical College
C.	Untimely Return of Unearned Title IV funds	Los Angeles Mission College

Description

A. Incorrect Calculation of Return to Title IV Funds

East Los Angeles College

Of the 30 students selected for return of Title IV funds test work from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:

- 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would decrease the amount due from the student by \$762.
- 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would decrease the amount due from the student by \$1,524. The college has already returned the money after the fact, thus no questioned cost.

Los Angeles Harbor College

Of the 5 students selected for return of Title IV funds test work from the population of students who received Title IV assistance, for which no returns of Title IV funds were made, we noted the following:

- 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would increase the amount due from the student by \$219.
- 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would increase the amount due from the student by \$762.

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Los Angeles Mission College

Of the 30 students selected for return of Title IV funds test work from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:

- 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would increase the amount due from the institution by \$127 and would decrease the post-withdrawal disbursement by \$22.
- 1 student that had an incorrectly calculated amount of Title IV assistance earned, which did not result in any questioned cost due to the grant protection.

Los Angeles Pierce College

Of the 30 students selected for return of Title IV funds test work from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:

- 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would increase the amount due from the student by \$992.
- 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would decrease the amount due from the institution by \$97.
- 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would decrease the amount due from the institution by \$24.
- 1 student that was not included in the calculation of the amount of Title IV assistance earned, the effect of which would increase the post-withdrawal disbursement by \$27.

Los Angeles Trade Technical College

Of the 11 students selected for return of Title IV funds test work from the population of students who had withdrawn, dropped out, or never began attendance, we noted 1 student that had an incorrectly calculated amount of Title IV assistance earned, the effect of which would increase the amount due from the student by \$611.

Los Angeles Valley College

Of the 14 students selected for return of Title IV funds test work from the population of students who had withdrawn, dropped out, or never began attendance, we noted 1 student was not included in the calculation of the amount of Title IV assistance earned, the effect of which would increase the amount due from the institution by \$106 and increase the amount due from student by \$142.

B. *Untimely Notification of Grant Overpayment to Students and Secretary*

East Los Angeles College

Of the 30 students selected for compliance test work, we noted the following:

- 2 students were notified beyond 30 days from the date of the institution's determination that the students withdrew and owed overpayments as a result of the students' withdrawals. The required notifications were submitted 37 and 54 days after the institution's determination date. The notifications were late by 7 and 24 days.

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- 2 students did not repay the overpayment in full to the institution or enter a repayment agreement. These students were not referred to the Secretary within the required timeframe (the earlier of 45 days from the date the institution sent a notification to the student of the overpayment or 45 days from the date the institution was required to notify the student of the overpayment). Notifications were sent 211 and 252 days after the date the institution was required to notify the students of the overpayments. The notifications were late by 166 and 207 days.

Los Angeles Harbor College

We noted that 2 of 5 students selected for compliance test work were notified beyond 30 days from the date of the institution's determination that the students withdrew and owed overpayments as a result of the students' withdrawals. The required notifications were submitted 311 days after the institution's determination date. The notifications to the students were late by 281 days.

Los Angeles Mission College

We noted that 2 of 30 students selected for compliance test work were notified beyond 30 days from the date of the institution's determination that the students withdrew and owed overpayments as a result of the students' withdrawals. The required notifications were submitted between 133 and 303 days after the institution's determination date. The notifications were late by 103 and 273 days.

Los Angeles Trade Technical College

Of the 11 students selected for compliance test work, we noted the following:

- 2 students were notified beyond 30 days from the date of the institution's determination that the students withdrew and owed overpayments as a result of the students' withdrawals. The required notifications were submitted 242 days after the institution's determination date. The notifications were late by 212 days.
- 1 student did not repay the overpayment in full to the institution or enter a repayment agreement. This student was not referred to the Secretary within the required timeframe (the earlier of 45 days from the date the institution sent a notification to the student of the overpayment or 45 days from the date the institution was required to notify the student of the overpayment). The notification was sent 106 days after the date the institution was required to notify the students of the overpayments. The notification was late by 61 days.

C. Untimely Return of Unearned Title IV funds

Los Angeles Mission College

We noted that 4 of 30 students selected for compliance test work had the untimely return of unearned Title IV funds. The District returned unearned title IV funds 46 to 134 days after the dates it determined that the students withdrew. The required returns were late by 1 to 89 days.

Causes and Effect:

A. Incorrect Calculation of Return to Title IV Funds

Incorrect calculation of return to Title IV funds was caused by human error. Incorrect calculations can result in institutional liability and disciplinary action taken by the U.S. Department of Education.

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B. Untimely Notification of Grant Overpayment to Students and Secretary

Untimely notification of grant overpayment to students and secretary was caused by human error. Untimely notifications can result in disciplinary action taken by the U.S. Department of Education.

C. Untimely Return of Unearned Title IV funds

Untimely return of unearned Title IV funds was caused by human error. Untimely return of title IV aid can result in institutional liability and disciplinary action taken by the U.S. Department of Education.

Questioned Costs:

A. Incorrect Calculation of Return to Title IV Funds

Increase the amount due from the student by \$1,964, increase the amount due from College by \$112 and an increase in the post-withdrawal disbursement by \$5.

B. Untimely Notification of Grant Overpayment to Students and Secretary

None.

C. Untimely Return of Unearned Title IV funds

None.

Recommendation:

We recommend that the District evaluate and improve its existing process and control procedures related to the return of Title IV funds. This will help ensure that the returns of Title IV funds are accurately calculated and are in accordance with the Uniform Guidance and the Code of Federal Regulation.

We also recommend that the District implement additional monitoring controls to ensure compliance with the notification and return due date requirements.

Views of Responsible Officials and Planned Corrective Actions:

A. Incorrect Calculation of Return to Title IV Funds

The District concurs with the finding of Incorrect Calculation of Return to Title IV (R2T4) Funds. R2T4 calculations are based on the amount of aid the student was eligible for at the time of withdrawal. When the eligibility amounts are incorrect, the resulting R2T4 calculations will also be incorrect. The SIS produces a tentative R2T4 worksheet which gathers the award and disbursed amount for each student. The Campus Financial Aid Technician is required to review the worksheet to validate the result. The validation of R2T4 calculation is a manual process. To remediate this issue, the campus will retrain those responsible for performing R2T4 calculations and CFAU and campus will implement a secondary review process to review accuracy. The combination of training and secondary reviews should ensure the eligibility amounts are determined correctly for R2T4 purposes. For future enhancement, we are considering the possibility of moving the R2T4 process to CFAU.

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B. Untimely Notification of Grant Overpayment to Students and Secretary

The District concurs with the Untimely Notification of Grant Overpayment to Students and Secretary finding. Straight overpayments are determined by the campus at the time of withdrawal. Overpayment notifications are sent to students by the campus. Due to staffing and/or training issues, some overpayments were not identified timely resulting in late notifications to the students and/or the Department of Education. To remediate this issue, the campus will provide additional training to those responsible for performing R2T4.

C. Untimely Return of Unearned Title IV funds

The District concurs with the Untimely Return of Unearned Title IV funds finding. Two returns were one day late because of an isolated file return issue with the SIS. The issue has been corrected. The other two returns were late due to an incorrect calculation as a result of using the wrong date for the student's last date of attendance. The recalculation resulted in additional return amounts. To remediate this issue, the campus will provide additional training to those responsible for performing R2T4.

Persons responsible for implementation: Anafe Robinson, Lindy Fong, Dennis Schroeder, and Steve Giorgi.

Position of responsible personnel: Financial Aid Managers

Expected date of Implementation: Fall 2019

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Finding FA 2019-007: Special Tests and Provisions – Enrollment Reporting: Inaccurate and Untimely Reporting of Change in Status (Repeat Finding)

Federal Program Information

Federal Catalog Number: CFDA 84.063 and 84.268

Federal Program Name: **Student Financial Assistance Cluster;**
Federal Pell Grant Program
Federal Direct Student Loans

Federal Agency: U.S. Department of Education

Passed Through Entity: N/A

Federal Award Number: P063P185263, P063P180034, P063P180658, P063P180035, P063P185261, P063P185260, P063P180036, and P063P185262
P268K195263, P268K190034, P268K190658, P268K190035, P268K195261, P268K195260, P268K190036, and P268K195262

Federal Award Year: July 1, 2018, to June 30, 2019

Campuses: East Los Angeles College
Los Angeles Harbor College (Repeat Finding)
Los Angeles Mission College
Los Angeles Pierce College
Los Angeles Southwest College (Repeat Finding)
Los Angeles Trade Technical College (Repeat Finding)
Los Angeles Valley College (Repeat Finding)
West Los Angeles College (Repeat Finding)

Compliance Requirement: Special Tests and Provisions – Enrollment Reporting

Criteria or Specific Requirement:

Per 34 CFR section 674.19; Pell, 34 CFR section 690.83(b) (2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309, the institution must update the required enrollment reports for changes in student status, the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the National Student Loan Data System (NSLDS) website.

At a minimum, schools are required to certify enrollment for all those who are included on the roster file Title IV aid recipients at least every two months and within 15 days of the date that NSLDS sends a roster file to the school or its third-party servicer.

Identified Condition:

In performing test work over enrollment reporting, we noted the following:

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East Los Angeles College

Of the 30 students selected for compliance test work, we noted:

- 8 students had status changes that were reported late to the NSLDS. This late reporting ranged from 11 to 122 days late.

Los Angeles Mission College

Of the 30 students selected for compliance test work, we noted:

- 6 students had status changes that were reported late to the NSLDS. This late reporting ranged from 5 to 11 days late.
- 4 students had no reported status to NSLDS due to late reporting to the District's third-party servicer, National Student Clearinghouse (NSC).
- 1 student had a change in enrollment that was not reported to NSLDS due to late reporting to NSC.
- 1 student had an incorrect effective date reported.

Los Angeles Pierce College

Of the 30 students selected for compliance test work, we noted:

- 7 students had status changes that were reported late to the NSLDS. This late reporting ranged from 10 to 56 days late.
- 3 students had no reported status to NSLDS due to late reporting to NSC.
- 1 withdrawn student was reported as a half-time student.
- 1 half-time student was reported as a full-time student.
- 1 student had an incorrect effective date reported.

Los Angeles Southwest College

Of the 4 students selected for compliance test work, we noted:

- 1 student had a status change that was reported late to the NSLDS. This late reporting was 23 days late.
- 1 student that had a status change and had an incorrect effective date reported.
- 1 student who had a full-time status was not reported to NSLDS due to late reporting to NSC.

Los Angeles Trade Technical College

Of the 8 students selected for compliance test work, we noted:

- 5 students had status changes that were reported late to the NSLDS. This late reporting ranged from 10 to 40 days late.
- 1 student has no reported status to NSLDS due to late reporting to NSC.

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Los Angeles Valley College

Of the 9 students selected for compliance test work, we noted:

- 3 students had status changes that were reported late to the NSLDS. This late reporting was 10 days late.
- 1 less-than-half-time student was reported as a quarter-time student.

West Los Angeles College

- Of the 5 students selected for compliance test work, we noted 1 student has no reported status to NSLDS due to late reporting to NSC.

Causes and Effect:

The District utilizes the services of the National Student Clearinghouse (NSC) as an intermediary in enrollment reporting for student financial aid. The District submits enrollment records to the NSC. After college verification, NSC then transmits enrollment files to the federal National Student Loan Data System (NSLDS). Late reporting in fiscal year 2018-19 was due to delays by colleges in submitting verification of enrollment records to the NSC, which then resulted in late reporting to the NSLDS. Incorrect student status was due primarily to the dating of student adds and drops which, in some instances, could not be completely corrected due to technical limitations associated with the NSC data verification system. Late and incorrect status reporting affects students having federal student loans. In fiscal year 2018-19 approximately 2,700 students Districtwide had federal student loans, which represents approximately 3% of the total students receiving financial aid and 1% of the District's total students. Late and/or incorrect enrollment reporting may lead to delays in identifying students required to begin loan repayment, thereby affecting institutional compliance with U.S. Department of Education regulations for enrollment reporting which requires timely and accurate submission of student status changes.

Questioned Costs:

None.

Recommendation:

We recommend that the District continue to review its current business process and implement process improvements and technical enhancements necessary to ensure compliance with enrollment reporting requirements.

Views of Responsible Officials and Planned Corrective Actions:

The PeopleSoft Student Information System (SIS) has an enrollment reporting module which has been configured to extract student enrollment data from the SIS and construct data files meeting NSC reporting requirements. The files are stored in a secured server and folder; only authorized users may access this data. The "LACCD NSC Quick Guide" document provides detailed information and steps to generating the enrollment file within the PeopleSoft environment. The submitted enrollment data files are reviewed and tracked by Educational Programs and Institutional Effectiveness (EPIE) Division personnel to help ensure data integrity.

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In order to ensure the timely reporting of enrollment data, the EPIE Division, in collaboration with NSC personnel, creates and maintains a submission calendar for the academic year to ensure that enrollment statuses for all students within the District are reported and updated throughout the term and academic year. The calendar is posted on the NSC website and e-mails are sent to relevant Admissions & Records (A&R) and Financial Aid staff regarding the due dates of the student enrollment files and when student statuses should be verified. There are also automated e-mails that are sent to District and campus personnel regarding when school enrollment files are due, received, ready for review, and processed. Enrollment information, which includes changes in students' status, are submitted every month by the EPIE Division. After enrollment reports are submitted to the NSC, the NSC portal generates error reports for each college. These errors are generated if the student status differs from what was previously reported. The A&R Department for each college is responsible for verifying that the student status and program information are updated appropriately. Colleges are required to review and process corrections based on the error reports within one week of when the enrollment report is submitted to the NSC.

In fiscal year 2018-19, there was considerable progress in reducing the number of instances of inaccurate and late reporting. However, based on fiscal year 2018-19 audit results, both issues are still present. The technical problem contributing to the incorrect calculation of unit load in fiscal year 2017-18 was corrected through a change in the run control setup effective Summer 2018. As a result, the instances of unit load reporting errors were minimal, resulting primarily from the timing of student adds and drops.

In order to address late reporting, the District implemented a business process change adopted in Fall 2018 which shifted verification to the colleges. To ensure that colleges were able to complete verifications in a timely manner, training and materials ("Error Resolution Instructions for the National Student Clearinghouse" document) was developed by the EPIE and provided to campus personnel so that updates can be made consistently and accurately. There is also a designated EPIE division analyst that serves as a point of contact to answer questions or facilitate communication with the NSC. In addition, e-mails are sent to relevant A&R and Financial Aid staff regarding due dates for completing the verification reports. In fiscal year 2018-19, colleges adjusted their internal verification procedures and staff assigned to verification and acquired additional expertise which allowed them to better adhere to NSC timelines. This has reduced, but not eliminated, the instances of late reporting. The assumption of verification duties was uneven initially. However, as college A&R offices acquired additional expertise in error correction and familiarity with the submission calendar, late reporting errors diminished. The success of this new process is evidenced through the analysis of late reporting errors: fiscal year 2018-19 audit findings show that only 6 of 38 instances of late reporting (16%) occurred in the Spring 2019 semester, the first semester following the rollout of the new business process. The District's goal is to eliminate late reporting errors and, to this end, will update the current business process to include a notification and escalation plan. This plan will identify potential late reporting through an early warning process and progressively notify higher level college administrators (college supervising dean, college vice president, and college president) of the likelihood of delayed reporting. Continued experience with the current process and addition of the escalation component will ensure that verification is completed in a timely manner. The escalation process is expected to be fully implemented by February 2020.

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Incorrect reporting errors were primarily due to incorrect effective dates. Because it is necessary to generate the enrollment files at least two days prior to the date submitted to the NSC, some drop and add transactions occurring in the time interval between the run and submission dates are excluded and student unit load (e.g., full-time status, part-time status) will not necessarily be accurate as of the date the file is submitted to the NSC. Furthermore, the NSC verification/error correction system will not permit entry of effective drop and add dates before the file submission date to the NSC. Thus, a technical limitation of the NSC system prevents entry of correct effective dates and a small number of errors will result. While workarounds are feasible, these would require additional staff time and effort to maintain lists of status changes and use of an alternative system, outside that of the NSC, for entering date corrections. EPIE will continue to explore both technical and non-technical alternatives for addressing this problem and work towards eliminating the small number of errors arising from these timing issues. Separately, additional technical enhancements to the delivered NSC file have been identified and recommended by EPIE which involve inclusion of status start dates in the enrollment file. This enhancement will reduce the volume of verification errors and staff time required to resolve them and are expected to significantly reduce delays in reporting in fiscal year 2019-20. The District IT technical team has been charged with the task of conducting a systems analysis and developing programming to include the status date field in the enrollment file, which is expected to be completed by April 2020. Additional data validation and correction activities, related to student and program level information in the SIS, are also ongoing and expected to improve the quality of NSC enrollment reporting in fiscal year 2019-20.

Persons responsible for implementation: Ryan Cornner and Maury Pearl

Position of responsible personnel: Vice Chancellor, Educational Programs & Institutional Effectiveness and Associate Vice Chancellor, Associate Vice Chancellor, Educational Programs & Institutional Effectiveness

Expected date of Implementation: February and April 2020

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Finding FA 2019-008: Special Tests and Provisions – Gramm-Leach-Bliley Act (Student Information Security) – Lack of Written Information Security Plan and Outdated IT Policies; Improve Configuration Management to Reduce Security Risk

Federal Program Information

<i>Federal Catalog Number:</i>	CFDA 84.007, 84.033, 84.038, 84.063, 84.268, 93.364
<i>Federal Program Name:</i>	Student Financial Assistance Cluster
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	Various
<i>Federal Award Year:</i>	July 1, 2018, to June 30, 2019
<i>Compliance Requirement:</i>	Special Tests and Provisions – Gramm-Leach-Bliley Act - Student Information Security

Criteria or Specific Requirement:

Per GLB Act Safeguards Rule, Title 16 CFR Part 314, institutions are required to develop, implement and maintain a comprehensive information security plan that is written and describes their program to protect sensitive information. In addition to developing their own safeguards, institutions covered by the Rule are responsible for taking steps to ensure that their affiliates and service providers safeguard sensitive information in their care. As part of its plan, the institution must:

- a) Designate an employee or employees to coordinate its information security program;
- b) Identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of student information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromises of such information, and assess the sufficiency of any safeguards in place to control these risks. At a minimum, such a risk assessment should include consideration of risks in each relevant area of operations, including:
 - Employee training and management;
 - Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and
 - Detecting, preventing and responding to attacks, intrusions, or other systems failures

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- c) Design and implement information safeguards to control the risks you identify through risk assessment, and regularly test or otherwise monitor the effectiveness of the safeguards' key controls, systems, and procedures.
- d) Oversee service providers, by:
 - Taking reasonable steps to select and retain service providers that are capable of maintaining appropriate safeguards for the student information at issue; and
 - Requiring your service providers by contract to implement and maintain such safeguards.
- e) Evaluate and adjust your information security program in light of the results of the testing and monitoring required by paragraph (c) of this section; any material changes to your operations or business arrangements; or any other circumstances that you know or have reason to know may have a material impact on your information security program

Also, per sections 501 and 505 (b)(2) of the GLB Act, institutions are required to comply with standards set forth for developing, implementing, and maintaining reasonable administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of student information. This part applies to all sensitive information in the institution's possession, regardless of whether such information pertains to individuals with whom the institution has a student relationship or pertains to the students of other financial institutions that have provided such information to the institution. The objectives of section 501(b) of the Act, and of this part, are to:

- (1) Ensure the security and confidentiality of student information;
- (2) Protect against any anticipated threats or hazards to the security or integrity of such information; and
- (3) Protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any student.

Identified Conditions:

A. Lack of Written Information Security Plan and Outdated IT policies

We noted that no written Information Security Plan has been developed to support the District's security program to protect sensitive information.

Annual review of security, availability and processing integrity is currently not being performed for service level agreements and related contracts with third-party IT and Data service providers.

The District's existing Administrative Regulations related to IT are outdated and inadequate. The following Administrative Regulations were noted:

- B-27 – Use of District and College Computing Facilities
- B-27 – Append
- B-28 – Network Security Policy
- E-47, E-99, and S-8 – Retention of ASO Records

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Additionally, we found no existing Administrative Regulations in place related to:

- Information and Data classification
- Data Privacy
- Incident Response and Resolution Management

B. Improve Configuration Management to Reduce Security Risk

The District has taken limited steps to harden default workstations, servers and network device configurations. Misconfigurations present a target for attackers to gain access and elevate privileges.

- a) The District has yet to establish a Vulnerability Management Program. Annual vulnerability scanning, PCI scanning or penetration testing are not being conducted.
- b) While we noted no issues concerning the current state of the primary and secondary servers used for Student Information Systems (SIS), we also noted several operating systems on some non-SIS servers, virtual machines, desktop, and mobile devices do not have the latest OS version or are not up-to-date which caused latest definitions to not being pushed to a significant number of machines thereby making them vulnerable to operational issues and security concerns.
- c) While we noted that SIS servers were consistently updated and patched, we also noted a significant number of non-SIS machines were last updated in the first quarter of the calendar year 2018.
- d) While we noted SIS servers have adequate procedures to protect information systems and technology from malicious software, we also noted insufficient detective and corrective controls are in place to protect non-SIS information systems and supporting technologies from malicious software. The frequency and thoroughness of detective and corrective controls currently configured allow threats to reside on a resource attached to the network longer than it is recommended prior to detection and remediation of a threat.
- e) Annual Business Continuity and Disaster Recovery Plan testing has not been performed to assure the effectiveness of the existing plans. Critical Information Technology (IT) systems and technology platforms should be tested as a whole for operational readiness to make sure these can be activated correctly and will enable the District to proceed with operations during a disaster. Since the effectiveness of the BCP/DRP can be impacted by the inevitable changes to data, personnel, skill levels, and hardware and software architectures within an organization, annual simulation and recovery testing is a necessity.

Causes and Effect:

GLB Act (GLBA) Safeguards Rule, Title 16 CFR Part 314.3 requires institutions to develop and maintain an information security program that is “written in one or more readily accessible parts and contains administrative, technical and physical safeguards that are appropriate to your size and complexity, the nature and scope of your activities, and the sensitivity of any customer information at issue”. Specific security safeguards are not defined in this rule, and the District has endeavored to implement Administrative Regulations and technical security controls to assure compliance with the Safeguards Rule as it was interpreted by the District.

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The US Department of Education has since recommended that institutions use NIST SP 800-171 as a guide to implement specific safeguards to assure compliance with the GLBA Safeguards rule, and the District is aware that this NIST standard defines specific safeguards that should be implemented or strengthened to assure District compliance with current guidance from the US Department of Education.

Recommendation:

A. Lack of Written Information Security Plan and Outdated IT policies

In order to establish and reinforce the institution's security program to protect sensitive information, we recommend that the District update current Administrative Regulations related to Information Technology and develop a written Information Security Plan based on the official guidance from the US Department of Education, which recommends NIST Standard SP 800-171 as a benchmark to meet GLBA Requirements.

This will help ensure that the institution has a satisfactory foundation and concrete measures in place to maintain security and confidentiality of sensitive information.

B. Improve Configuration Management to Reduce Security Risk

To significantly improve security, we recommend that the District make the necessary modifications to its existing systems, including the following:

- a) Carry out a comprehensive third-party risk assessment of the District's Student Information System (SIS) and supporting technology. Use penetration testing, vulnerability scanning, configuration management, and other security auditing tools to find flaws in the system and prioritize fixes.
- b) Create a strategy and plan based on risks identified within your technology ecosystem and use a phased approach to remediate the biggest flaws.

A reduced attack surface translates into a lower risk of data breaches, unauthorized access, systems hacking, or malware.

Views of Responsible Officials and Planned Corrective Actions:

A. Lack of Written Information Security Plan and Outdated IT policies

The District accepts the identified condition and recommendation regarding the Information Security Plan. The Chief Information Security Officer (CISO) shall be responsible for implementing the following corrective action:

- The District will engage a third party to develop a System Security Plan (SSP) for SIS that aligns to requirements of NIST SP 800-171. The SSP will be completed no later than September 30, 2020.

The District accepts the Identified Condition regarding annual review of security and service performance related to third-party contracts. The Vice Chancellor and Chief Information Officer (VC/CIO) shall be responsible for implementing the following corrective actions:

- The District IT Division will conduct an inventory of all third-party IT contracts that are directly related to SIS. The inventory will be completed no later than March 1, 2020.

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- The CISO will develop and document IT procedures to inventory and review third-party contracts related to SIS annually for compliance with information security requirements and Service Level Agreements and identify remediation actions as prudent. The first annual review of contracts related to SIS will be completed no later than June 30, 2020.

The District accepts the identified condition that Administrative Regulations relevant to IT are incomplete and dated. The Chief Information Security Officer shall be responsible for implementing the following corrective actions:

- The District is currently considering adoption of the framework for policy standards developed by the Community College League of California. The District IT Division will support that initiative to update and complete appropriate Administrative Regulations relevant to IT.
- Until the initiative to adopt policy standards from the Community College League of California is complete, the District Information Security Office will publish standard procedures relevant to the security of SIS. Standard procedures for security incident response and management are complete and will be published by December 1, 2019. Additional procedures will be developed and implemented as required by the System Security Plan (SSP) for SIS.

B. Improve Configuration Management to Reduce Security Risk

The District accepts the identified conditions and Recommendation, concurring that identified conditions b), c) and d) were found on systems unrelated to SIS. The CISO shall be responsible for implementing the following corrective actions:

- The District recently obtained and implemented a Vulnerability Assessment System and Payment Card Industry (PCI) scanning vendor, and performed initial assessments of the SIS environment. No high-risk issues were confirmed; all issues confirmed with moderate or low risk will be resolved by December 31, 2019.
- The District has established and published procedures to perform quarterly scanning of SIS in compliance with PCI requirements.
- The District will establish procedures to perform quarterly vulnerability assessment scanning of all District-managed servers by December 31, 2019. Initial vulnerability assessments will be completed by April 1, 2020.
- The District has corrected the default configuration of our antimalware system to align with the auditor's recommendations.
- Following completion of the System Security Plan (SSP) for SIS, the District will engage a third party to perform a risk assessment of SIS, and develop a strategic plan to prioritize and address risks that will include annual business continuity/disaster recovery testing for SIS. The third-party risk assessment will be completed by April 1, 2021.
- The District will perform a disaster recovery test of the SIS production system prior to June 30, 2020. The test will be annualized.

Personnel responsible for implementation: Patrick Luce

Position of responsible personnel: Chief Information Security Officer

Date of Implementation: Dates mentioned in CAP above.

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Finding FA 2019-009: Reporting – Inaccurate disbursement information reported to COD

Federal Program Information

<i>Federal Catalog Number:</i>	CFDA 84.063
<i>Federal Program Name:</i>	Student Financial Assistance Cluster; <i>Federal Pell Grant Program</i>
<i>Federal Agency:</i>	U.S. Department of Education
<i>Passed Through Entity:</i>	N/A
<i>Federal Award Number:</i>	P063P180035
<i>Federal Award Year:</i>	July 1, 2018, to June 30, 2019
<i>Campuses:</i>	Los Angeles Pierce College
<i>Compliance Requirement:</i>	Eligibility
<i>LACCD Personnel:</i>	Steve Giorgi - District

Criteria or Specific Requirement:

The *Uniform Guidance Compliance Supplement* requires the auditors to verify that the institutions submit the disbursement records, which report the actual disbursement date and the amount of the disbursement, within 15 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment date of expected student payment data.

Identified Condition:

Of the 30 students selected for compliance test work at Los Angeles Pierce College, we noted that 1 student disbursement data was reported inaccurately to the Department of Education's Common Origination and Disbursement (COD). The actual disbursement amounted to \$1,524 but only \$992 was reported to COD.

Causes and Effect:

A technician manually adjusted the pell award amount on COD without adjusting the award amount in the student information system (SIS). Incorrect reporting to COD creates reconciliation issues and potential liability to the institution for payments made but not accepted by COD.

Questioned Costs:

None

Recommendation:

We recommend that the District implement additional monitoring controls to ensure compliance with the reporting requirements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2019

Views of Responsible Officials and Planned Corrective Actions:

The District concurs with the finding. The District will remind all campuses that Pell adjustments should be done in the SIS and should not be done manually on COD. In addition, the District will ensure that monthly pell reconciliation reports are completed. The reconciliation reports will identify discrepancies reported on COD and in the SIS.

Persons responsible for implementation: Anafe Robinson and Steve Giorgi

Position of responsible personnel: Financial Aid Manager

Expected date of Implementation: Spring 2020

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2019

Finding FA 2019-010: Activities Allowed or Unallowed and Allowable Costs / Cost Principles: – Lack of Supporting Documents

Federal Program Information

Federal Catalog Number: CFDA 84.031

Federal Program Name: **Higher Education – Institutional Aid**
STEM STEP

Federal Agency: U.S. Department of Education

Passed Through Entity: N/A

Federal Award Number: P031C160050 - 18

Federal Award Year: July 1, 2018, to June 30, 2019

Campus: Los Angeles Harbor College

Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs / Cost Principles

Criteria or Specific Requirement:

Per Title 2, Part 200, Subpart E, §200.430 Compensation – Personal services.

The Standards for Documentation of Personnel Expenses are as follows:

- (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
 - (ii) Be incorporated into the official records of the non-Federal entity;
 - (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
 - (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
 - (v) Comply with the established accounting policies and practices of the non-Federal entity; and
 - (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2019

Identified Condition:

In performing test work over payroll-related expenditures charged to the grant, we noted that 2 out of 12 personal services expenditures did not have timesheets as proof of time charges made in the sampled period. There is no questioned costs as we noted that these employees were identified in the contract budget as authorized to charge time to the program fund. This is an internal control finding related to the preparation of timesheets as proof of actual time charges.

Causes and Effect:

This is a program personnel oversight.

Questioned Costs:

None.

Recommendation:

We recommend that the College implement processes and procedures to ensure supporting documents are properly maintained to support grant expenditures.

Views of Responsible Officials and Planned Corrective Actions:

The program technician will ensure timesheets and time and effort are properly maintained in accordance with federal compliance requirements.

Personnel responsible for implementation: Piper Watkins
Position of responsible personnel: Program Technician
Date of Implementation: Immediate

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2019

**Finding FA 2019-011: Activities Allowed or Unallowed and Allowable Costs / Cost Principles:
Expenditures Recorded In Incorrect Period And Lack Of Documented Approval Of Timesheet**

Federal Program Information

Federal Catalog Number: CFDA 84.047
Federal Program Name: **TRIO Cluster - Upward Bound**
Federal Agency: U.S. Department of Education
Passed Through Entity: N/A
Federal Award Number: P047A170970 - 18
Federal Award Year: July 1, 2018, to June 30, 2019
Campus: West Los Angeles College
Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs / Cost Principles

Criteria or Specific Requirement:

Per Title 2, Part 200, Subpart E, §200.403- Factors affecting allowability of costs, except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

Identified Condition:

A. Expenditure Recorded in Incorrect Period

At West Los Angeles College, we noted that 1 out of 11 expenditures was recorded in the incorrect period. The expenditure is related to a bus transportation cost that was incurred in fiscal year 2018 but was incorrectly recorded in fiscal year 2019.

B. Lack of Documented Approval of Timesheet

At West Los Angeles College, we noted that 1 out of 7 payroll expenditures samples did not have evidence of supervisor approval on the employee's timesheet, which is used to charge salaries to the grant program.

Causes and Effect:

A. Expenditure Recorded in Incorrect period

Per inquiry with the District, the cost is still covered by the program's period of performance. The Student Support Services program is from September 1, 2017, to August 31, 2018, and September 1, 2018 to August 31, 2019. The program team did not maintain a monitoring control that would classify expenses to the proper Schedule of Expenditures and Federal Awards (SEFA) fiscal year, which is June 30, 2019 and 2018. As a result, most expenses that are incurred near the end of the fiscal year are reported in the wrong period.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2019

B. Lack of Documented Approval of Timesheet

West Los Angeles College does not require full-time employees to submit weekly or monthly timesheets. Instead, when a full-time employee is absent, they must submit an absence certification request for time off. In this case, the employee was required to submit timesheet. However, it was not signed for approval. This was an oversight that there was no written approval for timesheet submission. Program personnel did not have adequate knowledge of Uniform Guidance requirement for time keeping.

Questioned Costs:

None.

Recommendation:

We recommend that the District implement a monitoring control that would identify expenditures incurred near the end of the fiscal year and ensure that they are recorded in the proper period. We also recommend that the District implement stricter controls to ensure that the actual time and effort that employees spend on grant-funded activities are properly approved and documented to support salaries charged to the program.

Views of Responsible Officials and Planned Corrective Actions:

A. Expenditures recorded in wrong period

Expenditures recorded in wrong period - The Accounting Office will require all program personnel to complete a checklist of all expenditures incurred close to the end of the fiscal year in order to identify any expenditures that need to be accrued.

Personnel responsible for implementation: Nyame-Tease Prempeh

Position of responsible personnel: Accounting Manager

Date of Implementation: November 1, 2019

B. Lack of written approval

All personnel working on specially funded program grants will complete a time and effort form in compliance with Uniform Guidance requirements.

Personnel responsible for implementation: Marilyn Ingram, Celena Burkhardt

Position of responsible personnel: Program Director, Associate Dean

Date of Implementation: November 1, 2019

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Federal Findings and Questioned Costs

Year ended June 30, 2019

Finding FA 2019-012: Equipment Management: Lack of Adherence to Equipment Management Policies and Procedures

Federal Program Information

Federal Catalog Number: CFDA 84.048
Federal Program Name: **Career and Technical Education - Perkins IV Title IC**
Federal Agency: U.S. Department of Education
Passed Through Entity: N/A
Federal Award Number: 18-C01-027
Federal Award Year: July 1, 2018, to June 30, 2019
Campus: Los Angeles Pierce College
Compliance Requirement: Equipment Management

Criteria or Specific Requirement:

Per Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.313 Equipment. (d) Management requirements. Procedures for managing equipment, whether acquired in whole or in part under a Federal award, until disposition takes place will, at a minimum, meet the following requirements:

- 1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- 2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- 3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- 4) Adequate maintenance procedures must be developed to keep the property in good condition.

2 *CFR* section 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
Schedule of Federal Findings and Questioned Costs
Year ended June 30, 2019

Identified Condition:

In performing testwork over equipment management at Los Angeles Pierce College, we noted the following:

- 3 out of 10 equipment samples did not have “LACCD tags” attached to the equipment. While these three items properly had Perkins tags, the equipment did not have the LACCD tag identifiers, as required by District policy in order to easily identify ownership of the asset as well as prevent loss, theft or damage to the property.
- 2 out of 10 equipment samples were initially labeled with the wrong LACCD tag and serial number. While these two items had the proper Perkins tags, the attached LACCD tags did not relate to the equipment asset. Once identified as part of the audit, the correct LACCD tags were subsequently attached to the two equipment assets by the Program Asset Custodian / Perkins Specialist.

Causes and Effect:

This was a program personnel oversight.

Questioned Costs:

None.

Recommendation:

We recommend that the College strictly enforce existing District policies and procedures to ensure that federal equipment management regulations are followed.

Views of Responsible Officials and Planned Corrective Actions:

The Program Specialist, under the supervision of the Dean of Career Technical Education, will ensure that unique identifier tags are properly placed on program equipments and that reconciled records are maintained.

Personnel responsible for implementation: Mon Khat

Position of responsible personnel: Dean, Career Technical Education

Date of Implementation: Immediate

SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Finding SC 2019-001: Dual Enrollment – Lack of Approval For Class Attended by K-12 Student

State Compliance Requirement Information

<i>State Compliance Section:</i>	Section 427
<i>State Compliance Requirement:</i>	Dual Enrollment (CCAP and Non-CCAP)
<i>Campuses:</i>	Los Angeles Southwest College Los Angeles City College

Criteria or Specific Requirement:

Per *Education Code Section 48800*, the governing board of a school district may authorize K-12 pupils who would benefit from advanced scholastic or vocational work, upon recommendation of the principal of the pupil's school of attendance, and with parental permission, to attend community college as special part-time or full-time students.

References:

California Education Code, Section 48800.

Identified Condition:

During our test work at East Los Angeles College, we noted that 1 out of 24 students enrolled in a class at another College (Los Angeles Southwest College) that was not an approved course listed on the student's K-12 Supplemental Application form.

Causes and Effect:

The student was able to enroll in the unapproved class due to incorrect manual data entry made by admission personnel at Los Angeles City College. The data entry is related to the effective date with which the student can enroll in a class. As per the district, this is a one-time error and is not systematic.

Questioned Costs:

\$350.34 (0.094 FTES exception multiplied by \$3,727 credit FTES reimbursement rate). This is not part of the statistical sample and will not be extrapolated.

Recommendation:

We recommend that the Campuses strictly enforce District procedures in reviewing and verifying the data entry that would enable a student to enroll in unapproved subjects.

Views of Responsible Officials and Planned Corrective Actions:

The District has identified how this error occurred. The District has communicated the need for all Admissions and Records' (A&R) staff to ensure that K-12 Student Groups and K-12 Admissions Service Indicators have the correct effective dates on or before the start of the term to properly restrict enrollment. In addition, all approved K-12 forms must be entered on the Control High School page in the Student Information System (SIS) in order to restrict enrollment to courses approved on the K-12 form.

Personnel responsible for implementation: Campus Admissions and Records Personnel

Date of Implementation: Immediate

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Finding SC 2019-002: Open Enrollment – Inconsistent Prerequisite Information between College Catalog and Published Class Schedule (Repeat Finding)

State Compliance Requirement Information

<i>State Compliance Section:</i>	Section 435
<i>State Compliance Requirement:</i>	Open Enrollment
<i>Campus</i>	Los Angeles Harbor College

Criteria or Specific Requirement:

Per *California Code of Regulations, Title 5, Section 58102, for Open Enrollment*, the description of each course shall be clear and understandable to the prospective student and shall be published in the official catalog, and/or schedule of classes, and/or addenda.

Further, *Contracted District Audit Manual (CDAM) Section 435 – Open Enrollment* states that the auditors should test a sample of classes to ensure that all classes are listed in the college catalog and in the class schedule for the term the respective classes were offered. There should be a clear and understandable description of each class.

References:

California Code of Regulations, Title 5, Sections 58102.

Contracted District Audit Manual (CDAM) FY2018-19

Identified Condition:

At Los Angeles Harbor College, we noted 4 of 10 classes where the prerequisite information presented in the College Catalog is inconsistent with the information presented in the Class Schedule as follows:

- 3 courses had prerequisites stated in the College Catalog and none in the Class Schedule.
- 1 course had different prerequisites stated in both College Catalog and Class Schedule.

Causes and Effect:

All requisite information from the DEC (legacy student information system) were transferred to PeopleSoft during conversion and the colleges were assigned the role of maintaining the prerequisite information. The DEC system was not directly connected with the the Electronic Curriculum Development system used to house course outlines. The effect was that the requisites in the catalog and schedule did not align for some courses.

Questioned Costs:

None.

Recommendation:

We recommend that the Campus review published schedules of classes to ensure descriptions and identification of classes, including prerequisites, are consistent throughout the documents.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Views of Responsible Officials and Planned Corrective Actions:

The Curriculum Dean and College Scheduler have now completed a comprehensive review of all courses. As a result of this review, Employee Resources Group (ERG) has been updated accordingly for these courses as well as other courses identified during the review with the same issue. The District has purchased an enterprise curriculum system (Elumin), which will house all curriculum information and integrate with PeopleSoft system. The curriculum system will also be used for the development of the catalog which will lead to an integration of all systems with the new curriculum system of record, when full implementation is complete.

Personnel responsible for implementation: Lori Minor and Chelvi Subramanian

Position of responsible personnel: College Scheduler and Curriculum Dean, respectively

Date of Implementation: Completed

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Finding SC 2019-003: Disabled Student Programs and Services – Missing Signature in Student Application Form and Missing Contact Documentation

State Compliance Requirement Information

State Compliance Section: Section 475
State Compliance Requirement: Disabled Student Programs and Services
Campuses: Los Angeles Southwest College

Criteria or Specific Requirement:

Per the *California Code of Regulations, Title 5, Section 56064*- Allowable Expenses,

- (a) Allowable expenses are those actual fixed, variable, and one-time costs (not including non-allowable expenses, as defined in Section 56068) for providing academic adjustments, auxiliary aids, services and/or instruction, as defined in Sections 56026 and 56028, which exceed the combined total of the following:
 - (1) the average cost to the district of providing comparable services (as defined in Section 56066) to students without disabilities times the number of students with disabilities receiving such services from DSPS;
 - (2) the revenue derived from educational assistance classes as provided in Section 56070; and
 - (3) any other funds for serving students with disabilities which the district receives from federal, state, or local sources other than discretionary district funds.
- (b) Allowable expenses may include the removal or modification of minor architectural barriers providing the funds expended do not exceed 1% of the current year DSPS allocation unless an exception to the funding limitation has been granted by the Chancellor's Office.
- (c) Allowable expenses may also include the purchase and repair of equipment.
- (d) The cost of allowable expenses may fluctuate depending on the number of students or the unit load of the students.
- (e) As used in Subchapter 1 of Chapter 7 of this Division, allowable expenses refer to direct excess costs, as is defined in Education Code Section 84850(c).

Per the *California Code of Regulations, Title 5, Section 56062- Provision of Academic Adjustments, Auxiliary Aids, Services and/or Instructions*, a community college district will be deemed to have "provided academic adjustments, auxiliary aids, services and/or instruction" to a student with a disability, as required by Section 56060, if the student is enrolled in an educational assistance class or is enrolled in a general class and received one or more service contacts each semester the student attends.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Further per *2019 Implementing Guidelines of Title V, DSPS*, there must be some indication of interaction between the student and the college, which may take the form of a signature on a paper form. It may also be indicated through an electronic signature, an email, text or other electronic/digital communication which is identifiable as coming from the student. If the student is unable to sign due to the nature and/or severity of their disabling condition, a certificated DSPS staff member may sign on their behalf, with a notation that a signature cannot be obtained. There must be a record of academic adjustments, auxiliary aids, services and/or instruction approved for each term/semester the student has requested accommodations.

The *Contracted District Audit Manual* requires auditors to test expenditures for the appropriate use of DSPS funds and to test student files for eligibility for state-sponsored disabled student services programs or courses.

References:

California Code of Regulations, Title 5, Section 56064

Contracted District Audit Manual (CDAM) FY2018-19

Identified Condition:

Of the 10 students selected for compliance testwork, we noted the following:

- 1 student lacked proof of contact documentation for the semester under audit.
- 1 student was unable to sign on the "Application of Services" form, which is used to indicate the student's understanding of the requirements to be eligible for DSPS program benefits and the student's certification that the information in the application form is accurate.

Causes and Effect:

The missing signature and missing contact documentation are a result of personnel oversight in following District procedures and DSPS Guidelines.

Questioned Costs:

None.

Recommendation:

We recommend that the Campus strictly enforce established procedures in obtaining the necessary support requested during the audit. We also recommend enhancing program personnel competencies through training in order to implement procedures to ensure that proper documentation is properly maintained for compliance audits.

Views of Responsible Officials and Planned Corrective Actions:

Proof of Contact Documentation

The campus will continuously update DSPS list of participants to include only students who were seen or had proof of contact during the semester as required by the DSPS Implementing guidelines.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Missing Signature

The Campus now maintains a revised application form. The student's signature is now clearly listed on the front of the application. This increases the Campus' efforts with assuring that a student's signature is not omitted.

The student has been contacted with a request for the signature to be obtained.

Personnel responsible for implementation: Jeanette Magee

Position of responsible personnel: Dean of Student Services

Date of Implementation: November 2019

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Finding SC 2019-004: No source documents for hours claimed for RSI (Repeat Finding)

State Compliance Requirement Information

State Compliance Section: Section 444

State Compliance Requirement: Apprenticeship Related & Supplemental Instruction (RSI) Funds

Campus: Los Angeles Trade Technical College

LACCD Personnel:

Criteria or Specific Requirement:

Per Education Code 79149.1, attendance of apprentices enrolled in any class maintained by a community college, pursuant to Section 3074 of the Labor Code, shall be reimbursed pursuant to Section 79149.3 only if reported separately to the Chancellor of the California Community Colleges.

The Contracted District Audit Manual requires auditors to verify the hours claimed for RSI by tracing the hours reported for reimbursement to source documents such as student sign-in sheets.

References:

Education Code 79149.1

Contracted District Audit Manual (CDAM) FY2018-19

Identified Condition:

11.5 hours of the 2,339 sampled RSI claimed hours have no source documents.

Causes and Effect:

Apprentices who miss class (hours) are always given an opportunity to make up the hours on Fridays. The issue is that the Campus failed to clearly demonstrate what class the students belong to on Friday signing sheets. The Campus has a list of students making up hours but does not clearly state for which class they are making up hours for. Rosters that the Campus turned in have them marked as absent but were claimed hours because those students made up the hours on Friday. The plan is to make sure the rosters are clearly defined so the Campus knows which class exactly the students who make up the hours on Friday belong to moving forward. Hard copies of rosters are on file at LATTTC with the VP of Academic Affairs (Interim, Rick Hodge) and with the Dean of Academic Affairs (Arineh Arzoumanian).

Questioned Costs:

\$74.60 (11.5 hours multiplied by \$6.40 reimbursement rate per RSI hour).

Extrapolated Finding:

\$840.87 (11.5 hours exception divided by 2,339 sampled hours multiplied by 26,723 reported hours multiplied by \$6.40 reimbursement rate per RSI hour).

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Recommendation:

We recommend that the Campus strictly enforce procedures in the documentation and safekeeping of the hours participated by students. We also recommend that source documents are clearly defined and retained to support reported RSI hours.

Views of Responsible Officials and Planned Corrective Actions:

The campus will enforce the following procedures to ensure the documentation of proper and accurate student hours:

- a. Prepare rosters that reflect a specific class, date, and time and the number of hours each student has completed or made up
- b. Have students and the instructor of record sign their names on the roster to verify the validity of hours recorded
- c. Ensure that rosters and recorded hours are sent to and received and filed by the VP of Academic Affairs Office (Interim, Rick Hodge) and with the Dean of Academic Affairs (Arineh Arzoumanian) to verify accuracy and completeness of the rosters.
- d. Conduct an internal review of rosters periodically to verify consistency in recording, tracking, and delivery of the rosters to the designated offices.

Personnel responsible for implementation: Arineh Arzoumanian and Bill Elarton

Position of responsible personnel: Dean of Academic Affairs and Faculty member

Date of Implementation: Immediate

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Finding SC 2019-005: To be Arranged Hours – Improper Apportionment for Students Without Participation Documentation and Students with Zero Hours As Of the Census Date (Repeat Finding)

State Compliance Requirement Information

State Compliance Section: Section 479

State Compliance Requirement: To be Arranged Hours

Campuses: East Los Angeles College
Los Angeles Harbor College
Los Angeles Pierce College

State Criteria or Requirement

Per the *Contracted District Audit Manual (CDAM) Section 479 - To be Arranged Hours*, districts need to track to be arranged (TBA) hour student participation carefully and make sure they do not claim apportionment for TBA hours for students who have documented zero hours as of the census point for the particular course.

Per the *California Community Colleges Chancellor's Office Memorandum titled "Courses with To be Arranged (TBA) Hours, dated March 8, 2013"*, the following conditions must be met for TBA Hours Consideration:

1. The official course outline of record must include the number of TBA hours and specific instructional activities/learning outcomes for TBA hours expected of all students enrolled in the course.
2. The TBA hours must provide instruction that is not homework and the student work completed for TBA must be evaluated. In this regard, do not include within TBA hours unsupervised activities such as attendance at plays and concerts. Apportionment may not be collected for such activities.
3. The TBA hours/week required for the course must be included in the published catalog and class schedule.
4. The designated location for the TBA hours must be specified in a way that appropriately informs students.
5. All students enrolled in a course with TBA hours must be required to fulfill the hours and other conditions for TBA. Make sure that all student participation is documented.
6. TBA hours may not be claimed for apportionment under the auspices of individual student tutoring.
7. Colleges need to track participation carefully and make sure that they do not claim apportionment for TBA hours for students who have documented zero hours of the census point for the particular course.

References:

Contracted District Audit Manual (CDAM) FY2018-19

To Be Arranged (TBA) Hours Memorandum, dated March 8, 2013

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Identified Condition:

East Los Angeles College

4 of 181 students have no documentation of student participation.

Los Angeles Harbor College

11 of 90 students have no documentation of student participation and 12 of 90 students have documented 0 hours as of the census date.

Los Angeles Pierce College

20 of 460 students have documented 0 hours as of the census date.

Causes and Effect:

East Los Angeles College

Instructor logged TBA hours for a small number of students based on the belief that the students would either attend the TBA session or “makeup” hours from a missed session. When students did not ultimately attend, the TBA log was not corrected to accurately reflect attendance records. This resulted in a small amount of TBA hours reported with no matching attendance record.

Los Angeles Harbor College

1. CH Dev 22 students must complete a life scan/fingerprinting before they can be placed in a facility/school to begin their “student teachers” practicum. This process takes weeks. This delay possesses limitations to enter TBA hours even at census.
2. DEV COM 037Y (#2-Fall & #3-Spring) is an open entry/open exit class. Students are referred by English instructors to enroll in this class for additional help. Students are usually referred by their instructors after their first assignment and this is usually after census reporting.
3. KIN ATH 506 is a team sport. Students attend practice on scheduled days.

Los Angeles Pierce College

There was no attendance for 20 students taking CAOT TBA courses as of census for Fall 2018 and Spring 2019. The TBA laboratory courses are paired with lecture courses and during the first two or three weeks, instructors are organizing and lecturing on course materials. Some students do the laboratory activities somewhat later and this causes delays in students accessing the timekeeping computer, entering laboratories, and completing assignments. The majority of students complete 32 hours of lab work during the semester. Additionally, the instructional assistant would delete a student from the timekeeping computer system when they dropped or were excluded from the course.

Questioned Costs:

East Los Angeles College

\$2,907.06 (0.78 FTES exception multiplied by \$3,727 credit FTES reimbursement rate)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Los Angeles Harbor College

\$15,877.02 (4.26 FTES exception multiplied by \$3,727 credit FTES reimbursement rate)

Los Angeles Pierce College

\$8,199.40 (2.20 FTES exception multiplied by \$5,45 credit FTES reimbursement)

Extrapolated Finding:

East Los Angeles College

\$4,888.49 (1.31 FTES exception multiplied by \$3,727 credit FTES reimbursement rate)

Los Angeles Harbor College

\$28,272.84 (7.59 FTES exception multiplied by \$3,727 credit FTES reimbursement rate)

Los Angeles Pierce College

\$31,336.88 (8.41 FTES exception multiplied by \$3,727 credit FTES reimbursement rate)

Recommendation:

We recommend that the Campus strictly enforce procedures in tracking TBA hour student participation. We also recommend that the District strengthen its review controls to ensure that apportionments are being claimed on properly classified TBA courses only. Additionally, the District should review the coding in SIS and update accordingly to ensure that TBA courses are properly coded.

Views of Responsible Officials and Planned Corrective Actions:

East Los Angeles College

The logging of TBA hours to match actual attendance records has improved dramatically in recent years but there remains room for improvement. Academic Affairs will provide each instructor of a Weekly Student Contact Hours (WSCH) TBA section a short fact sheet regarding TBA as well as rules, procedures, and institutional policies regarding TBA. Instructors will be reminded that the submission log must coincide with the actual attendance records and that no logging should occur until after physical attendance is recorded. This fact sheet will be distributed to all WSCH TBA instructors beginning in Spring 2020.

Persons responsible for implementation: Armida Ornelas and Ruben Arenas

Position of responsible personnel: Vice President, Continuing Education, and Workforce Development and Vice President, Liberal Arts, and Sciences

Expected date of Implementation: Spring 2020

Los Angeles Harbor College

Harbor College will develop an attendance collection sheet that TBA instructors will use to track the attendance. Additionally, starting Spring 2019, the campus has reduced the number of TBA classes since tracking has been an issue. This Attendance Collection Sheet will be used to track all remaining TBA classes each semester.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Findings and Questioned Costs

Year ended June 30, 2019

Persons responsible for implementation: Dr. Chelvi Subramaniam

Position of responsible personnel: Dean of Academic Affairs

Expected date of Implementation: Fall 2019

Los Angeles Pierce College

Pierce College will implement the following change with regards to the CAOT Department TBA classes:

1. Effective Spring 2020, the CAOT Faculty will ensure that enrolled students in the laboratory begin work on an assignment before the census date and make sure that the hours are spread out weekly during the semester.
2. Effective Spring 2020, the CAOT Faculty will include in the syllabus a policy on exclusions not only on the lecture attendance but also for the TBA laboratory attendance. Currently, most CAOT instructors exclude students after three consecutive absences. The CAOT department will implement a similar policy for the TBA non-attendance hours.
3. Effective Fall 2019, the CAOT instructional assistant will no longer delete students who have dropped the course or have been excluded from the course from the timekeeping computer system. In addition, the CAOT instructional assistant will not just transfer totals for students who have signed into the incorrect courses. She will review the input for accuracy.

Persons responsible for implementation: Mary Anne Gavarra-Oh

Position of responsible personnel: Dean of Academic Affairs

Expected date of Implementation: Fall 2019

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

Year ended June 30, 2019

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 audit findings and questioned costs and of any other as yet unresolved audit finding from previous years:

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
FS-2018-001 <i>Information Technology</i>	<p>Identified Condition</p> <p>While progress has been made with the implementation of Security Weaver, control weaknesses continue to exist in the form of excessive access to business and functional user accounts. This included extensive access to business users, IT users having functional level access and insufficient segregation of duties. The SAP security issues continue to be significant deficiencies in the District's system of internal controls. As a result, we cannot place reliance on the IT environment and controls.</p> <p>Corrective Action Plan</p> <p>LACCD Management agrees with the finding and the recommendation that we perform a comprehensive security assessment of the Security Roles in SAP for all LACCD Employees. The District plans to use a third party to help address the finding. During FY 2017 the District developed a plan and scope of work that will address the finding. Funding has been identified and the work will be contracted with a planned completion during fiscal year FY 2019.</p>	Fully Implemented	

LOS ANGELES COMMUNITY COLLEGE DISTRICT

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<p>FA 2018-001</p> <p><i>SFA Cluster: Special Tests and Provisions – Verification: Inaccurate information found in Verification Documents (Repeat Finding)</i></p>	<p>Identified Condition</p> <p>Of the 30 students selected for verification test work at Los Angeles Trade Technical College, we noted the following:</p> <ul style="list-style-type: none"> • 1 student with an incorrect education credit, which resulted in an overstatement of the expected family contribution (EFC) of \$51 and an under award of Pell Grant by \$100. • 1 student with an incorrect code for college information, which resulted in an overstatement of EFC of \$1,151 and an under ward of Pell Grant by \$550. • 1 student with incorrect tax payment information, which did not impact the student's EFC. <p>Corrective Action Plan</p> <p><i>Los Angeles Trade Technical College</i></p> <p>The District concurs and has taken corrective action to remediate the finding. The District will conduct training with staff responsible for performing Verification. In addition, the District will increase the number of students randomly sampled for secondary review of Verification. The District's Internal Audit Department will also perform an independent random sample for verification.</p>	<p>Partially Implemented</p>	<p>Repeat current year finding FA 2019-004</p> <p>Training has been completed and the campus has randomly sampled students. We are working the Internal Audit dept to formalize sampling done by their department.</p>

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Year ended June 30, 2019

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>FA 2018-002</p> <p><i>SFA Cluster: Special Tests and Provisions – Return of Title IV Funds:</i></p> <ul style="list-style-type: none"> • <i>Incorrect Calculation of Return to Title IV Funds,</i> • <i>Untimely Notification of Grant Overpayment to</i> • <i>Students and Secretary, and Untimely Return of</i> • <i>Unearned Title IV funds</i> <p><i>(Repeat Finding)</i></p>	<p>Identified Condition</p> <p><i>A. Incorrect Calculation of Return to Title IV Funds Los Angeles Harbor College</i></p> <p>Of the 30 students selected for return of Title IV funds testwork from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:</p> <ul style="list-style-type: none"> • 1 student had an incorrectly calculated Title IV assistance earned amount, the effect of which would decrease the amount for the District to return by \$101.20. • 1 student had an incorrectly calculated Title IV assistance earned amount, the effect of which would increase the amount for post withdrawal disbursement by \$355.68. • 1 student had an incorrectly calculated Title IV assistance earned amount, the effect of which would increase the amount for post withdrawal disbursement by \$95.67 and decrease the amount for the District to return by \$228. • 3 students who had withdrawn and there was no calculation performed of the amount of Title IV assistance earned. The effect would decrease the total amount for post withdrawal disbursement by \$38.94 and decrease the total amount for the student to return by \$53.94. <p><i>Los Angeles Valley College</i></p> <p>Of the 30 students selected for return of Title IV funds test work from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:</p>	<p>Partially implemented</p>	<p>Repeat current year finding <u>FA 2019-006</u></p> <p>All R2T4 processes have been automated except the determination of financial aid eligibility at the time of withdrawal. A FA Technician at the campus is currently determining the student's eligibility based on the EFC and the number of units at the time of withdrawal. The remaining processes are automated.</p>

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<ul style="list-style-type: none"> • 1 student had an incorrectly calculated Title IV assistance earned amount, the effect of which would be a reimbursement to the student in the amount of \$961. • 1 student who had withdrawn had no calculation performed for the amount of Title IV assistance earned. This did not impact the actual award amount disbursed for the student. <p><i>Los Angeles Trade Technical College</i></p> <p>Of the 30 students selected for return of Title IV funds test work from the population of students who had withdrawn, dropped out, or never began attendance, we noted the following:</p> <ul style="list-style-type: none"> • 2 students had an incorrectly calculated Title IV assistance earned amount, the effect of which would increase the amount for post withdrawal disbursement by \$304.14. • 2 students who had withdrawn had no calculation performed for the amount of Title IV assistance earned. The effects of which would decrease amount due from school by \$213.44, decrease the amount of due from student by \$445.11 and decrease amount for post withdrawal disbursement by \$343.36. <p><i>B. Untimely Notification of Grant Overpayment to Students and Secretary</i></p> <p><i>Los Angeles Harbor College</i></p> <p>We noted that 2 of 30 students selected for compliance testwork were notified beyond 30 days from the date of the institution's determination that the students withdrew and owes an overpayment as a result of the students' withdrawal. The required</p>		

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Schedule of Prior Year Audit Findings

Year ended June 30, 2019

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>notifications were submitted 45 days after the institution's determination date. The notifications were late by 15 days.</p> <p><i>Los Angeles Valley College</i></p> <p>We noted that 3 of 30 students selected for compliance testwork were notified beyond 30 days from the date of the institution's determination that the students withdrew and owes an overpayment as a result of the students' withdrawal. The required notifications were submitted between 45 to 56 days after the institution's determination date. The notifications were late by 15 to 26 days.</p> <p><i>Los Angeles Trade Technical College</i></p> <p>Of the 30 students selected for compliance testwork, we noted the following:</p> <ul style="list-style-type: none">• 13 students were notified beyond 30 days from the date of the institution's determination that the students withdrew and owes an overpayment as a result of the students' withdrawal. The required notifications were submitted between 45 to 56 days after the institution's determination date. The notifications were late by 15 to 26 days.• 7 students did not repay the overpayment in full to the institution or enter a repayment agreement.		

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Schedule of Prior Year Audit Findings

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>These students were not referred to the Secretary within the required timeframe (the earlier of 45 days from the date the institution sent notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment). Notification was sent to the students between 118 to 286 days beyond the date the institution was required to notify the students of the overpayments. The notifications were late by 73 to 241 days.</p> <p>C. Untimely Return of Unearned Title IV funds</p> <p><i>Los Angeles Trade Technical College</i></p> <p>We noted that 4 of 30 students have untimely return of unearned Title IV funds. The District returned unearned title IV funds 281 to 303 days after the dates it determined that the students withdrew. The required returns were late by 236 to 258 days.</p> <p><i>Los Angeles Valley College</i></p> <p>We noted that 1 of 30 students has untimely return of unearned Title IV funds. The District returned unearned title IV funds 172 days after the date it determined that the student withdrew. The required return was late by 127 days.</p> <p>Corrective Action Plan</p> <p>A. Incorrect Calculation of Return to Title IV Funds</p> <p>The District concurs and has taken corrective action to remediate the finding. To ensure regulatory compliance with the R2T4 calculations, the District has contracted the services of a new SIS consultant to provide an automated solution that will determine eligibility at the time of withdrawal, calculate R2T4 return amounts,</p>		

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>update the awards in the SIS, and send required return amounts back to the US Department of Education. The automated solution will also create both overpayment and PWD notifications which will be emailed to the students through the SIS. This will negate the need for manual R2T4 calculations.</p> <p>Persons responsible for implementation: Ludwig Perez, Peggy Loewy Wellisch, Vernon Bridges, and Steve Giorgi Position of responsible personnel: Financial Aid Managers</p> <p>Expected date of Implementation: End of fall term 2018 (12/16/18)</p> <p><i>B. Untimely Notification of Grant Overpayment to Students and Secretary</i></p> <p>The District concurs and has taken corrective action to remediate the finding. The District has contracted new SIS consultants to develop and implement an automated solution for overpayment notifications.</p> <p>Persons responsible for implementation: Steve Giorgi</p> <p>Position of responsible personnel: Financial Aid Manager</p> <p>Expected date of Implementation: The automated solution is expected to be in place by the of the fall term (12/16/18)</p>		

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Schedule of Prior Year Audit Findings

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p><i>C. Untimely Return of Unearned Title IV funds</i></p> <p>The District concurs and has taken corrective action to remediate the finding. The District's IT department is working with Oracle to develop an automated solution to ensure that all Pell negative disbursement records are reported to COD timely. The manual solution is to use the monthly reconciliation reports to identify variances and then update COD as needed. The District's Internal Audit will perform continuous monitoring of the reconciliation completion at the campus level as warranted.</p> <p>Persons responsible for implementation: Ludwig Perez, Vernon Bridges, Winnie Aribuabo</p> <p>Position of responsible personnel: Financial Aid Managers & CFAU Accountant</p> <p>Expected date of Implementation: 12/15/18</p>		
<p>FA 2018-003</p> <p><i>SFA Cluster: Special Tests and Provisions – Enrollment Reporting:</i></p>	<p>Identified Condition</p> <p>In performing test work over enrollment reporting, we noted the following:</p> <p><i>Los Angeles Harbor College</i></p> <p>Of the 30 students selected for compliance testing, we noted:</p>	<p>Partially Implemented</p>	<p>Repeat current year finding <u>FA 2019-007</u></p>

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Schedule of Prior Year Audit Findings

Year ended June 30, 2019

Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p><i>Inaccurate and Untimely Reporting of Change in Status (Repeat Finding)</i></p>	<ul style="list-style-type: none"> • 7 students had status changes that were reported late to the NSLDS. This late reporting ranged from 68 to 78 days late. • 4 half-time students were reported as full-time students. • 1 less-than-half-time student was reported as a full-time student. • 1 less-than-half-time student was reported as a half-time student. • 1 less-than-half-time student was reported as a three-quarter-time student. • 4 three-quarter-time students were reported as full-time students. • 1 three-quarter-time student was reported as a withdrawn student. • 1 withdrawn student was reported as a full-time student. • 3 withdrawn students were reported as half-time students. <p><i>Los Angeles Southwest College</i></p> <p>Of the 10 students selected for compliance testing, we noted:</p> <ul style="list-style-type: none"> • 1 student had a status change that was reported 54 days late to the NSLDS. • 2 half-time students were reported as full-time students. • 3 three-quarter-time students were reported as full-time students. 		

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Schedule of Prior Year Audit Findings

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<ul style="list-style-type: none"> • 1 withdrawn student was reported as a full-time student. • 1 withdrawn student was reported as a half-time student. • 1 withdrawn student was reported as a three-quarter-time student. <p><i>Los Angeles Trade Technical College</i></p> <p>Of the 30 students selected for compliance testing, we noted:</p> <ul style="list-style-type: none"> • 9 students had status changes that were reported late to the NSLDS. This late reporting ranged from 48 to 78 days late. • 2 half-time students were reported as full-time students. • 1 half-time student was reported as a three-quarter-time student • 2 three-quarter-time students were reported as full-time students. • 3 withdrawn students were reported as full-time students. • 1 withdrawn student was reported as a half-time student. • 2 withdrawn students were reported as three quarter-time students. • 5 students' academic statuses were not reported for Fall 2017 (4 students) and Spring 2018 (1 student). • 1 student who has 0 units in Fall 2017 was reported as a three-quarter-time student. <p><i>Los Angeles Valley College</i></p>		

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Schedule of Prior Year Audit Findings

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>Of the 30 students selected for compliance testing, we noted:</p> <ul style="list-style-type: none">• 9 students had status changes that were reported late to the NSLDS. This late reporting ranged from 54 to 78 days late.• 1 half-time student was reported as a full-time student.• 1 less-than-half-time was reported as a half-time student.• 4 three-quarter-time students were reported as full-time students.• 1 withdrawn student was reported as a full-time student.• 3 withdrawn students were reported as half-time students.• 1 withdrawn student was reported as a three-quarter-time student.• 1 student who has 0 units in Fall 2017 was reported as a half-time student.• 1 student who has 0 units in Spring 2018 was reported as a less-than-half-time student.• 2 students who have 0 units in Fall 2017 were reported as full-time students.• 2 students who have 0 units in Spring 2018 were reported as three-quarter-time students.• 1 student's academic status was not reported for Fall 2017. <p><i>West Los Angeles College</i></p>		

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Schedule of Prior Year Audit Findings

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>Of the 15 students selected for compliance testing, we noted:</p> <ul style="list-style-type: none"> • 2 students had status changes that were reported 46 days late to the NSLDS. • 1 half-time student was reported as a full-time student. • 1 less-than-half-time was reported as a full-time student. • 5 withdrawn students were reported as full-time students. • 2 students who have 0 units in Spring 2018 were reported as full-time students in Fall 2017 (1 student) and Spring 2018 (1 student). • 1 student who has 0 units in Spring 2018 was reported as a half-time student. <p>Corrective Action Plan</p> <p>The new NSC enrollment reporting module within the PeopleSoft Student Information System was utilized beginning in Fall 2017. The processes used to generate enrollment reports were more complex than those in the legacy system (DEC). In addition, beginning with this change, enrollment reporting was also shifted to the Educational Programs and Institutional Effectiveness division, which did not have previous experience with enrollment reporting or the use of the enrollment reporting module. Through internal analysis it was found that some initial configuration settings were not aligned with NSC reporting specifications, thereby delaying reporting until the correct settings were applied</p>		

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Prior Year Audit Findings

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>and tested. Load level rules were updated in early 2018 by the District IT business analyst and record counts were comparable to those in prior submissions under the legacy system. In addition, it was found that parameter settings within the enrollment reporting module did not completely remove residual data from the file generation process and led to inaccuracies in reporting of student status (unit load). The source of this problem, a corrupted run control job, was identified through ongoing internal systems analysis and with the help of an outside consultant in late Spring 2018. To correct this problem, an analyst in the EPIE division created a new run control job which became effective with Summer 2018 submissions. The analyst is assigned to monitor record counts and student unit load distributions in each submission to ensure that load level rules and run control settings continue to work properly.</p> <p>The EPIE analyst assigned to NSC reporting, in collaboration with the NSC, identified that initial counts of records generated by the SIS enrollment reporting module and student status in Spring 2018 were inaccurate. This led to delays in Fall 2018 report submissions to the NSC as system analysis was conducted to research the cause of the inflated record counts and apply and test corrective actions. Moreover, ongoing system analysis and research in Spring 2018 determined that run control settings had become corrupted, which led to incorrect calculations of student unit load. Following additional analyses, a new run control job was developed to ensure correct reporting of student load and enrollment status.</p>		

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>The configuration and control settings, which led to inaccurate enrollment reporting through the fiscal year 2017-18 reporting cycle, have been corrected beginning in fiscal year 2018-19 through the creation of a new run control job (a program which controls the NSC file creation processes). Ongoing monitoring will ensure that enrollment report submissions are accurate.</p> <p><i>Persons responsible for implementation</i></p> <p>The EPIE analyst will continue to monitor record counts, student unit load distributions, and run control settings to ensure that updated load level rules continue to be utilized in reporting and that run controls do not become corrupted.</p> <p><i>Expected Date of Implementation</i></p> <p>Corrections to system configuration and parameters were implemented by the District IT business analyst effective March 7, 2018 for load level rules and by the EPIE analyst on August 6, 2018 for run controls. Based on ongoing testing and initial Fall 2018 submissions, reporting errors are minimal. Through understanding of the more complex enrollment reporting processes, experience gained in troubleshooting system settings during the first year of system implementation, and ongoing monitoring and systems analysis, it is expected that reporting errors of the type identified in the finding for fiscal year 2017-18 will be minimal in fiscal year 2018-19.</p>		

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>FA 2018-004 <i>SFA Cluster: Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loans): Lacking Preparation of Required Monthly School Account Statement (SAS) Reconciliations (Repeat Finding)</i></p>	<p>Identified Condition <i>Los Angeles Harbor College</i> We noted that Los Angeles Harbor College did not prepare 10 of 11 required monthly reconciliations. <i>Los Angeles Trade Technical College</i> We noted that Los Angeles Trade Technical College did not prepare 8 required monthly reconciliations. <i>Los Angeles Valley College</i> We noted that Los Angeles Valley College did not prepare 8 of 9 required monthly reconciliations.</p> <p>Corrective Action Plan The District developed and implemented a new SAS report using available resources. The newly developed SAS report was generated for the month of April 2018. CFAU provided the SAS report to all campuses in May 2018 to perform the reconciliation (for April reporting period). From that point forward, CFAU has sent all campuses a SAS report the first week of every month. The SAS reports are reviewed and reconciled by the campuses every month. The campuses send CFAU confirmation of reconciliation on a monthly basis.</p> <p>Persons responsible for implementation: Ludwig Perez, Vernon Bridges, Peggy Loewy Wellisch, Steve Giorgi</p> <p>Position of responsible personnel: Financial Aid Manager</p> <p>Expected date of Implementation: 5/1/18</p>	<p>Fully Implemented</p>	

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>FA 2018-005 <i>SFA Cluster: Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loans): Untimely Reporting of Direct Loan Disbursement – (Repeat Finding)</i></p>	<p>Identified Condition <i>Los Angeles Harbor College</i> We noted that 1 out of 30 students selected for compliance testwork was reported late to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) report. The required report was submitted 16 days after the disbursement was made to the student. The submittal was late by 1 day.</p> <p><i>Los Angeles Trade Technical College</i> We noted that 3 out of 30 students selected for compliance testing were reported late to the DLSS via the COD report. The required reports were submitted between 21 to 151 days after the disbursements were made to the students. The submittals were late by 6 to 136 days.</p> <p><i>Los Angeles Valley College</i> We noted that 5 out of 30 students selected for compliance testing were reported late to the DLSS via the COD report. The required reports were submitted between 16 to 30 days after the disbursements were made to the students. The submittals were late by 1 to 15 days.</p> <p><i>Los Angeles City College</i> We noted that 1 out of 6 students selected for compliance testing was reported late to the DLSS via the COD report. The required report was submitted 16 days after the disbursement was made to the student. The submittal was late by 1 day.</p>	<p>Partially Implemented</p>	<p>Repeat current year finding <u>FA 2019-005</u></p>

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>Corrective Action Plan</p> <p>The District concurs and has taken corrective action to remediate the finding. The District will implement a process to submit COD files immediately after disbursement twice a week. In addition, the District will also submit COD files regardless of whether the District disburses during the given week.</p> <p>Persons responsible for implementation: Thai Quach</p> <p>Position of responsible personnel: Sr. Computer and Network Specialist</p> <p>Expected date of Implementation: 10/02/18</p>		
<p>FA 2018-006</p> <p><i>SFA Cluster: Eligibility: Incorrect Federal Pell Grant Amounts Awarded (Repeat Finding)</i></p>	<p>Identified Condition</p> <p><i>Los Angeles Trade Technical College</i></p> <p>Of the 30 students selected for eligibility testwork, we noted the following:</p> <ul style="list-style-type: none"> 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$221. The student's less than half-time status at Fall 2017 was eligible for \$519, but was awarded for \$740 in assistance 	<p>Partially Implemented</p>	<p>Repeat current year finding <u>FA 2019-001</u></p>

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<ul style="list-style-type: none"> • 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an overstatement of the disbursement by \$196. The student's less than half-time status at Spring 2018 was eligible for \$544 but was awarded for \$740 in assistance. • 1 student that had an incorrectly calculated Federal Pell grant award, which resulted in an understatement of the disbursement to the student by \$137. The student was eligible for \$544, but was awarded for \$407 in assistance • 1 student who received an FSEOG and was also eligible for a Pell grant award of \$2,960 in Fall 2017. <p>However, the Pell grant was not disbursed to the student until identified during audit.</p> <p><i>Los Angeles Valley College</i></p> <p>Of the 30 students selected for eligibility testwork, we noted that:</p> <ul style="list-style-type: none"> • 1 student had an incorrect calculation of Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$221. The student's less than half-time status at Summer 2018 was eligible for \$519 but was awarded for \$740 in assistance. • 1 student had an incorrect calculation of Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$196. The student's less than half-time status at Summer 2018 was eligible for \$544 but was awarded for \$740 in assistance. 		

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<ul style="list-style-type: none"> • 1 student an incorrect calculation of Federal Pell grant award, which resulted in an overstatement of the disbursement to the student by \$63. The student's less than half-time status at Summer 2018 was eligible for \$544 but was awarded for \$607 in assistance. • 1 student who had received an FSEOG and was also eligible for Pell grant award of \$5,920 in academic 		

Corrective Action Plan

The District concurs and has taken corrective action to remediate the finding. Effective summer of 2018, the SIS has been configured so that it will not disburse Pell awards to students that are enrolled LTHT and the Pell award is higher than the calculated value of \$544. The campuses will also implement a process to manually update the student's budget and recalculate eligibility which will allow the Pell grant to be properly disbursed to the student. In addition, CFAU is working with the District IT department to develop an automated process to build the budgets correctly.

Persons responsible for implementation: Ludwig Perez, Vernon Bridges, Peggy Loewy Wellisch, Steve Giorgi

Position of responsible personnel:

Financial Aid Manager

Expected date of Implementation:

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>FA 2018-007 <i>Higher Education – Institutional Aid: - Reporting: Inaccurate Participant Data Reported in the Annual Performance Report</i></p>	<p>Identified Condition In performing test work over reporting at East Los Angeles College, we noted that the number of program participants originally used in preparing the program's preliminary Annual Performance Report (APR) for fiscal year 17-18 was incorrect. The supporting system-generated report used to derive the number of participants also included student employees who are not actual program participants. Once this issue was identified as part of the audit, the participant data in the APR was subsequently corrected prior to the APR submission date.</p> <p>Corrective Action Plan The College will have:</p> <ol style="list-style-type: none"> 1. Employee meetings with counselors scheduled outside of the CI Track system. 2. The participant data report obtained from CI Track system will be reviewed for data accuracy prior to being forwarded to evaluators and/or prior to being considered in the project decision-making and reporting activities. 	<p>Fully Implemented</p>	

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
3.	<p>Student employees who administer or provide Jardin de STEM services, such as SI Coaches or Peer Mentors, will be excluded from the comparison group and will also be excluded from any Jardin de STEM activities in which they also administer the services. Current student program participants who are also student employees who receive Jardin de STEM services that they do not also administer will be included in the treatment group.</p> <p>Personnel responsible for implementation: Djuradj Babic</p> <p>Position of responsible personnel: Associate Dean and Project Director</p> <p>Expected Date of Implementation: Immediate</p>		
FA 2018-008	<p>Identified Condition</p> <p><i>Student Support Services (SSS)</i></p> <p>We noted that 2 out of 3 student applications selected for eligibility test work were missing data input (tick marks) for the section used in determining academic need.</p> <p><i>Upward Bound (UB)</i></p> <p>We noted that 4 out of 4 student applications were lacking evidence of review (signatures of Program Counselor) on the "Verification of Eligibility and Selection" Form included in the supporting documentation attached to the application.</p>	Fully Implemented	
<p><i>TRIO Cluster - Eligibility: Missing Proof of Review and Academic Need Data Inputs in the Application Forms</i></p>			

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
	<p>Corrective Action Plan</p> <p><i>Student Support Services (SSS)</i></p> <p>The TRIO Scholars SSS application has been updated to clearly indicate the appropriate areas for “Academic Need” and “Academic History” An additional checkbox has been added to the “Academic History” section stating “None of the above apply”</p> <p>Additionally, supplemental monitoring of the programs will now exist to ensure compliance. During November 2018, the Dean will review the eligibility compliance and the file documentation guidelines with each program coordinator. The Dean will also implement the conducting of random reviews of the files for accuracy and missing data each year. This will include ensuring that there is no missing data (tick marks) for determining academic need as well as verification of signatures in the appropriate areas. This same process will also be repeated and implemented as we begin another grant period.</p> <p><i>Upward Bound (UB)</i></p> <p>As the program ended in October 2017, no action plan is warranted. However, for similar Trio programs, the College will create a check sheet that will encompass signature of the reviewer as evidence that the review has been performed.</p> <p>Personnel responsible for implementation: Dr. Erika Miller (SSS), and Jeanette Magee (All programs)</p> <p>Position of responsible personnel: Program Directors and Dean of Special Programs</p> <p>Date of Implementation: November 2018</p>		

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>FA 2018-009 <i>TRIO Cluster - Equipment Management:</i> <i>Lack of Regular Physical Inspection and Reconciliation of Equipment Listing</i></p>	<p>Identified Condition In performing test work over equipment management, we noted that the <i>TRIO – SSS, SSS-STEM, TS and UB</i> programs did not perform regular physical inspections of federally purchased equipment. Per inquiry with the program directors, physical inspections are currently performed on an “as-needed” basis.</p> <p>Corrective Action Plan In order to ensure the College adheres to District policies, the College will have</p> <ol style="list-style-type: none"> 1. The physical inventory and inspection of property performed and properly documented every two years. 2. Any issues noted will be fully investigated and resolved. <p>Personnel responsible for implementation: Dr. Erika Miller (SSS), Dr. Angelita Salas(SSS-STEM), Sidney Cosby (TS), and Jeanette Magee (All programs)</p> <p>Position of responsible personnel: Program Directors and Dean of Special Programs</p> <p>Date of Implementation: November 2018</p>	<p>Fully Implemented</p>	
<p>FA 2018-010 <i>TRIO Cluster - Earmarking:</i></p>	<p>Identified Condition In performing test work over reporting, we noted that the program did not meet the earmarking requirements. There were 244 participants served compared to the required 258 participants.</p>	<p>Fully Implemented</p>	

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<i>Unmet Earmarking Requirements</i>	<p>Corrective Action Plan</p> <p>To help maintain the expected participant numbers, application deadlines have been extended for interested parties and heavier recruitment efforts have also been instituted. Additional staff has been hired to assist with recruiting new students for the program.</p> <p>Personnel responsible for implementation: Dr. Erika Miller (SSS), and Jeanette Magee (All programs) Position of responsible personnel: Program Directors and Dean of Special Programs</p> <p>Date of Implementation: November 2018</p>		
<p>FA 2018-011</p> <p><i>TRIO Cluster - Reporting: Lack of Supporting Documentation and Records Retention of Reported Performance Data</i></p>	<p>Identified Condition</p> <p><i>Los Angeles Valley College</i></p> <p>During our review of the Performance Report for the SSS grant, we noted that there was no supporting documentation maintained on file to validate the reported number of students for each type of services indicated in the submitted performance report.</p> <p>Corrective Action Plan</p> <p>The data reported was accurate at the time of the report but the supporting documents were not properly kept to ensure audit compliance. Moving forward, the project director is aware of the documentation needed to ensure proper compliance. The project director will make sure required documentation for compliance is retained</p>	Fully Implemented	

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<p>FA 2018-012 <i>Career and Technical Education – Basic Grants to States Perkins IV - Allowable Costs/Cost Principles: Incomplete and Inaccurate Information in the Time and Effort Certification</i></p>	<p>Personnel responsible for implementation: Julie Mendoza (LAVC) Positions of responsible personnel: Program Director Date of Implementation: Next submission due date of Performance Report.</p> <p>Identified Condition In performing test work over payroll-related expenditures charged to the grant, we noted that for 1 of 2 employees sampled, the time and effort certification did not contain program and fund information used in determining appropriate charges to the grant. The time and effort was also not updated to reflect the most recent percentage used in determining actual charges and time spent on the program.</p> <p>Corrective Action Plan Time and effort reports form will be changed to include the following information: program name, project name, funding source, percentage of time charged and other account information. The forms will be collected and sorted by employee and fund for each pay period. Proper review and monitoring controls would also be established.</p> <p>Persons responsible for implementation: Tom Vessella Position of responsible personnel: Dean of CTE Expected date of Implementation: November 1, 2018</p>	<p>Partially implemented</p>	<p>Initial changes from 11/1/18 began with an updated form including a budget line item. The form will be revised a 3rd time to include actual hours and account string to properly determine charges to account-fund-department program and cost basis. Monitoring controls were established as of 11/1/18 but will be continually reviewed and established for improvements. Complete implementation will take place on 07/01/2019 to coincide with the new fiscal budget year.</p>

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<p>FA 2018-013</p> <p><i>Career and Technical Education – Basic Grants to States Perkins IV - Equipment Management:</i></p> <p><i>Lack of Regular Physical Inspection and Reconciliation of Equipment Listing</i></p>	<p>Identified Condition</p> <p>In performing test work over equipment management, we noted that a formalized regular physical inspection for federally purchased equipment was not performed. Further, the equipment listing did not contain a readily verifiable equipment identifier number that could be used to locate the actual piece of equipment during a physical inspection.</p> <p>Corrective Action Plan</p> <p>Pierce College will implement inventory software. The inventory will include the 12 items designated in the District inventory policy as well as the funding source and condition. The inventory records will also include serial numbers. The tagging system will also have a number identification as well as a program designation. This will allow identification of purchased items even when installation obscures the serial number and other identifying information. The new system will also put permanent marking on items when possible to avoid any confusion or accidental tag removal.</p> <p>A classified position has been requested and sent to the Personnel Commission for approval. This individual will be responsible for yearly inventory and marking. The inventory will be placed on the CTE programs website and will take place in July 2019.</p> <p>Persons responsible for implementation: Thomas Vessella</p> <p>Position of responsible personnel: Dean of CTE</p> <p>Expected date of Implementation: June 2019</p>	<p>Partially implemented</p>	<p>Expected date of implementation was June 2018 but was not attainable.</p> <p>Approval of the new SFP Program Specialist took over a year by the Personnel Commission. The new hire just began on July 1, 2019.</p> <p>Now that he is on board, a training and implementation process of expected duties pertaining to inventory control will be established that will include communication channels, a flat database equipment listing referencing & matching district labeling will be enacted.</p> <p>A laser engraving system was purchased to assist in the permanent marking but proves to be ill-suited for the required task.</p> <p>Potentially a thermal tag printer & inventory software will be researched as to the viability of its use in this process.</p>

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<p>FA 2018-014 <i>Career and Technical Education – Basic Grants to States Perkins IV - Suspension and Debarment: Vendor Status Verification</i></p>	<p>Identified Condition In performing test work, we noted that at East Los Angeles College, one procurement transaction did not have evidence of qualified status verification from the System of Award Management (SAM). Per inquiry with the Program Technicians, the vendor were not found in the SAM website, so they only obtained verbal confirmation from vendor and checked Dun & Bradstreet and California State Secretary instead.</p> <p>Corrective Action Plan The Continuing Education and Workforce Development Department updated its Procurement Vendor Verification procedure effective July 1, 2018. The update informed staff that they shall verify the sam.gov website prior to entering into any procurement transactions in order to ensure that vendors are not debarred or suspended from receiving federal funds. In addition, the office has implemented a checklist for vendor verification. If Vendor is not found in SAM website, the staff will be requesting a Certification Letter from the Vendor to assert they are not suspended or debarred in accordance with 2 CFR Section 180.300.</p> <p>Persons responsible for implementation: Armida Ornelas, Ph.D. Position of responsible personnel: VP Expected date of Implementation: July 1, 2018</p>	<p>Fully Implemented</p>	

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<p>SC 2018-001 Section 425 <i>Residency</i> <i>Determination for</i> <i>Credit Courses:</i> <i>Missing Supporting</i> <i>Residency</i> <i>Documentation and</i> <i>Missing Student</i> <i>Certification of</i> <i>Answers under Oath</i> <i>or Penalty of Perjury</i></p>	<p>Identified Condition <i>Los Angeles Trade Technical College</i> For 1 of 8 students sampled, we noted that there was no application form maintained on file. <i>West Los Angeles College</i> For 1 of 18 students sampled at West Los Angeles College, the application form used in determining residency classifications did not contain the student's signature certifying the answers under oath or penalty of perjury. Corrective Action Plan <i>Los Angeles Trade Technical College</i> The District now utilizes an automated application process called CCC apply. This technology has led to a significant reduction in the use of paper hard copy applications. While there is an elimination of the use of paper applications, the Office of Student Services will implement a review of protocols for the processing and handling of paper applications. Personnel responsible for implementation: Kaneesha Tarrant; Position of responsible personnel: Vice President of Student Services Expected date of Implementation: Fall 2018 <i>West Los Angeles College</i> Corrective action has already been implemented. Starting with the implementation of our new student information system in fall of</p>	<p>Fully Implemented</p>	

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Finding Reference	Identified Condition and Prior Year's Planned Corrective Action Plan	Current Status	Explanation if not fully implemented
<p>SC 2018-002 Section 435 <i>Open Enrollment:</i> <i>Inconsistent Prerequisite Information Between College Catalog and Published Class Schedule</i></p>	<p>Identified Condition For 1 of 16 classes sampled at Los Angeles Harbor College, prerequisite information presented in the college catalog differed from that published in the class schedule. In the Class Schedule, "Nursing 323" indicates that the course has no prerequisites, while in the College Catalog the subject has a prerequisite that the student should have a grade "C" or better in all previous nursing courses taken. This discrepancy does not conform to the criteria that the class descriptions should be clear and understandable. Information is not consistent throughout the College's published documents.</p> <p>Corrective Action Plan Currently, all Academic Affairs Deans are reviewing the winter and spring class schedules to ensure all requisite information alignment between the class schedule and the catalog. Once complete, there should be no future discrepancies.</p>	<p>Partially Implemented</p>	<p>Repeat current year finding SC 2019- 002</p>
<p>2017, we no longer accept paper hard copy applications. As a result, there is no longer a need for front-line staff to check for signatures on applications. Personnel responsible for implementation: Michael Goltermann Position of responsible personnel: Dean, Admissions and Records, Expected date of Implementation: Implementation already took place in fall 2018.</p>			

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	<p>Persons responsible for implementation: Luis Dorado</p> <p>Position of responsible personnel: Vice President of Student Services</p> <p>Expected date of Implementation: Immediately</p>		
<p>SC 2018-003 Section 479</p> <p><i>To Be Arranged Hours (TBA): Improper Apportionment for Students without Attendance Documentation and Students With Zero Hours As Of</i></p>	<p>Identified Condition</p> <p><i>Los Angeles Harbor College</i></p> <p>During our test work at Los Angeles Harbor College, we noted that 115 of 506 students have documented 0 hours as of the census date and 112 of 506 students have no documentation of student participation.</p> <p><i>Los Angeles Trade Tech College</i></p> <p>We noted that 5 out of 23 classes sampled at Los Angeles Trade Tech College did not meet the conditions to qualify as a TBA class. These classes were only created to accommodate students seeking credit by an examination. These classes did not have any instructional activities or learning outcomes from TBA hours enrolled by the students.</p>	<p>Partially Implemented</p>	<p>Repeat current year finding SC 2019- 005</p> <p><i>Created procedure to actively monitor all schedule TBAS sections, including informing faculty in advance of semester of the proper procedures to follow for TBA sections. Reviewed schedule and reduced the number of TBA sections offered in future semesters.</i></p> <p>The college has implemented a three-part, review process (schedulers, deans, Vice President) to</p>

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<p><i>The Census Date And Classes Did Not Meet Required Conditions For TBA Apportionment (Repeat Finding)</i></p>	<p>Corrective Action Plan</p> <p><i>Los Angeles Harbor College</i></p> <p>To ensure discrepancies don't occur in the future, Admissions & Records Staff have been working with faculty and training them on how to ensure their data is saved. We have done individual trainings and are also doing group trainings. Academic Affairs is also in the process of reviewing all the TBA Sections for Spring 2019 to strictly enforce TBA student tracking moving forward.</p> <p>Persons responsible for implementation:</p> <p>Luis Dorado</p> <p>Position of responsible personnel:</p> <p>Vice President Student Services</p> <p>Expected date of Implementation:</p> <p>Spring 2019</p> <p><i>Los Angeles Trade Technical College</i></p> <p>For year 2017-2018, the Office of Instruction has gone back through each term, checked all credit by exam sections for proper coding, and corrected any sections improperly coded prior to the district submitting for a recalculation.</p> <p>The Office of instruction will implement a series of reviews to check for proper coding of all courses in the schedule. This includes a primary review of all TBA by the scheduling staff, then a second review by the deans, followed by third review that will be completed by the vice president of instruction. Additionally, credit</p>		<p>ensure proper coding of all courses in the schedule prior to the schedule being posted/published electronically.</p> <p>Schedulers prepare and distribute bi-weekly reports to the deans, once the schedule has posted, to identify and correct course coding issues.</p> <p>TBA course reports are also produced. Supervising deans are responsible for ensuring at least one hour is posted in the SIS system per student prior to census. First, second, and third checks are conducted by the deans. TBA course lists are reviewed weekly until all issues are resolved.</p> <p>Additionally, beginning spring 2019, the Vice President implemented the following protocols:</p> <ol style="list-style-type: none"> 1. A Faculty Survival Guide was produced and sent to

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	<p>by exam section SIS input will be restricted to the scheduling staff or the college registrar.</p> <p>Persons responsible for implementation:</p> <p>Jim Lancaster</p> <p>Position of responsible personnel:</p> <p>Vice President, Instructional Deans, Scheduling Staff</p> <p>Expected date of Implementation: Fall 2018</p>		<p>all faculty with policies and procedures pertaining to TBA courses.</p> <p>2. A LATTTC TBA Course Requirements Checklist was created and distributed to deans. The checklist will be provided to all faculty teaching TBA courses beginning Fall 2019.</p> <p>Credit-by-exam (CBE) sections are inputted by the schedulers. Department Chairs notify schedulers to request a CBE section to be inputted.</p> <p>The college will monitor the implementation of these processes/ protocols fall semester 2019 to determine if any changes are necessary and if full implementation has been achieved</p>

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<p>SC 2018-004 Section 475 <i>Disabled Student Programs and Services (DSPS): Missing Academic Accommodation Plan (AAP)</i></p>	<p>Identified Condition For 3 of 10 students sampled, there was no Academic Accommodation Plan (AAP) that serves as a record of the interactive process between each DSPS student and a DSPS professional staff member regarding the academic adjustments, auxiliary aids, services and/or instruction necessary to provide the student equal access to the educational process.</p> <p>Corrective Action Plan Additional monitoring of the programs will exist to ensure compliance. During November of 2018, the Dean will review the eligibility compliance and the file documentation guidelines with each program staff. This will include ensuring that there is no missing Academic Accommodation Plan (AAP) which serves as the interactive process between the student and certificated staff as well as solidifying student access to the educational process. The Dean will also implement the conducting of random reviews of the files for accuracy and missing data. Furthermore, student records will be kept in locked files in a secured area to protect the safekeeping of eligibility documents.</p> <p>Persons responsible for implementation: Jeanette Magee</p> <p>Position of responsible personnel: Dean of Special Programs and Services</p> <p>Expected date of Implementation: November 2018</p>	<p>Fully Implemented</p>	

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<p>SC 2018-005 Section 427 <i>Dual Enrollment of K-12 (CCAP and Non-CCAP):</i> <i>Instructor did not meet Minimum Qualifications</i></p>	<p>Identified Condition For 1 of 60 instructors sampled, we noted the instructor's credentials did not meet the minimum qualifications required for the subject.</p> <p>Corrective Action Plan The College has been directed by the District to provide transcript documenting conferred degree (BA or AA). The College may terminate adjunct assignment and return employee to unclassified walk-on coach assignment.</p> <p>Persons responsible for implementation: R.L. Wells and Shawn Tramel</p> <p>Position of responsible personnel: Athletic Director and HR Administrative Analyst</p> <p>Expected date of Implementation: December 11, 2018</p>	<p>Partially Implemented</p>	<p>The employee has not been assigned any further courses, however, the college is waiting for direction from District HR as to if the assignment can be terminated without a letter of resignation.</p> <p>The employee had an unclassified Walk-on Coach assignment from 11/03/2018 to 02/28/2019 and an unclassified Recreation Event Technician assignment from 08/20/2018 to 10/31/2018.</p> <p>It is anticipated the employee will be conferred a degree by September, 2019 but will not be assigned courses until such time official transcripts are verified.</p>

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<p>SC 2018-006 Section 444 <i>Apprenticeship Related And Supplemental Instruction (RSI) Funds:</i> <i>No source documents for hours claimed for RSI (Repeat Finding)</i></p>	<p>Identified Condition 1,932 hours of the 5,760 sampled claimed RSI hours have no source documents.</p> <p>Corrective Action Plan The VP of PIIE, working in collaboration with the Apprenticeship Faculty Coordinator and the apprenticeship support classified staff member, will develop protocols that align with applicable state regulations and requirements. This includes establishing an LATTC Apprenticeship Manual that will outline processes, forms and instructions to apprenticeship faculty to acquire and maintain source documentation. This will help ensure the timely identification of courses and student accompanied by regular monitoring on reporting of hours and tracking of required source documents. In addition, the existing apprenticeship PeopleSoft programming will be reviewed for needed updates to troubleshoot any barriers for student enrollment or “holds” thereby ensuring timely registration of apprenticeship students into respective apprenticeship courses.</p> <p>Finally, a job classification review of the existing classified support position will be requested to ensure that the level of duties and responsibilities align with the level of student registration assistance, source document monitoring, and level of student interaction required for programmatic compliance.</p> <p>Persons responsible for implementation: Leticia Barajas Position of responsible personnel:</p>	<p>Partially Implemented</p>	<p>Repeat current year finding SC 2019- 004</p> <p>The college has standardized protocols and processes for recordkeeping and for ensuring data in the SIS system is accurate.</p> <p>In Fall 2018, the Apprenticeship Coordinator mapped a new process to automate course session sign-in. The new process will be carried out via a geo-locked application system resulting in a standardized process and enabling reporting and centralized recordkeeping. Bids for the system have been obtained and are awaiting final processing. It is anticipated the system will be fully operational by Spring 2020.</p> <p>An LATTC Apprenticeship Manual is currently being drafted and will be available by Fall 2019. The final</p>

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	<p>Vice President, District Office PeopleSoft Lead (programming updates, as needed)</p> <p>Expected date of Implementation: Initiate Fall 2018</p>		<p>version of the Manual will be completed after the geo-lock system (described above) is in place, estimated to be Spring 2020.</p> <p>Additionally, in spring 2019 the Vice President instituted protocols to notify each faculty member teaching courses flagged as Positive Attendance in the SIS system (including all apprenticeship courses) regarding attendance recordkeeping policies/procedures along with resource documents and forms for doing so. In addition, multiple training sessions were held for faculty (including apprenticeship faculty) on how to use the SIS system for attendance recordkeeping and for submitting positive attendance hours.</p>

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			Lastly, the college requested a desk audit of the classified position supporting apprenticeship. The outcome is pending with the Personnel Commission