California Community Colleges

CONTRACTED DISTRICT AUDIT MANUAL
PROCEDURE 411-SCFF DATA MANAGEMENT CONTROL ENVIRONMENT
FREQUENTLY ASKED QUESTIONS

1. **Why is a new test of the SCFF data management control environment included in the CDAM?**

   Education Code section 84750.4 (m)(4)(c) requires the CDAM to include audit procedures for SCFF data and allows the Chancellor to require that districts repay any funding associated with an audit exception.

   Title 5 section 58311 outlines the Principles for Sound Fiscal Management for the community college system. These regulatory principles require districts to implement and maintain effective internal controls to ensure that fiscal objectives are met, define fiscal responsibilities and establish staff accountability, adhere to appropriate fiscal policies and procedures, and maintain information systems that provide timely, accurate, and reliable fiscal information for planning, decision making and budgetary control. Compliance with these principles helps ensure that community college districts submit accurate and complete SCFF metric data to the Chancellor's Office.

2. **What does the testing process over the data management control environment entail?**

   The districts should have processes in place to ensure accurate and complete SCFF metric data is submitted to the Chancellor's Office. The suggested audit procedures include examples; however, this list is not inclusive. Auditors should use professional judgment to determine whether the districts have the means to achieve and report accurate data. The audit teams should also consider if there are alternative data management processes in place to ensure accurate and complete reports.

3. **Do we have to perform all the suggested audit procedures?**

   No, the suggested audit procedures are available to assist audit teams when developing their audit plan. Auditors should use their professional judgment when determining whether the suggested audit steps should be modified or expanded upon.

4. **Does this procedure require substantive testing of the SCFF data?**

   Substantive testing is not a required procedure for the 2019-20 fiscal year, but will be a required component of state compliance testing in future years.

However, state general apportionment funding can be a significant component of revenue for many districts and may warrant testing for financial reporting purposes. We understand that some CPA firms are verifying claimed amounts to raw data, Pell and Promise Grant recipients, whether students had more than 9 units for CTE classes, and transcript support for certificates, associates degrees, and transfer degrees. The Chancellor's Office looks forward to working with the CPA firms and system stakeholders as formal state compliance substantive procedures for SCFF data are developed.

5. **What compliance criteria requires written desk procedures and monitoring?**
   The criteria for this procedure doesn't specifically mention desk procedures, training, or monitoring data quality.
   However, desk procedures, as documented in operating manuals, and ongoing monitoring are widely considered best practices for internal controls. Publications such GAO's Green Book and the COSO Internal Control – Integrated Framework include specific examples of effective control activities.

6. **What audit evidence can be used to support conclusions?**
   Auditors are required to obtain sufficient and appropriate audit evidence as required by AU-C 500 Audit Evidence. Specifically, the *Sources of Audit Evidence* and *Audit Procedures for Obtaining Evidence* sections within the AU-C 500 include examples of testimonial (i.e. inquiries) and documentary evidence (i.e. examination of records). See the AU-C 500 for specific guidance.

   The Chancellor's Office recommends that the auditor first obtain information about the data management control environment through inquiry, interviews, or questionnaires. If the district states that policies and procedures are in place, the auditor should obtain documentation and review to determine whether the procedures address each of the audit procedure sections. The policies and procedures could be at the board or administrative level. Inquiry with MIS or other staff that work with SCFF data can be used to verify whether procedures have been put into practice. If the auditor is able to observe a portion of the data reporting process or training, they can further assess whether control procedures are functioning as intended.

7. **For the student success allocation, the procedures ask for a determination of whether management has 'established expectations of shared ownership of data' and provided 'appropriate training and professional development opportunities'. Determining whether expectations have been established and training is appropriate could be somewhat subjective. What audit evidence can be used to support a conclusion for these procedures?**
   The goals are to determine whether the district management has communicated their expectations to staff and provided training that will allow staff to report

accurate and complete data. Since every district is different, the audit team should identify whether the district management has disseminated expectations to their staff in either a verbal or written format. Evidence could include testimony that is corroborated by multiple district staff, policies and procedures, and/or official memos that have been provided to staff. Some examples of evidence for training opportunities could include corroborating testimony of internal on-the-job training, staff time provided to attend SCFF workshops or webinars, or observation by the auditor of training time blocked out on a work calendar. 'Appropriate' training means that it is related to the SCFF data management duties assigned to staff and has provided staff with the ability to sufficiently perform their responsibilities.

The auditor should use their judgment to determine the need for sufficient and appropriate evidence as stated in AU-C 500 which includes testimonial (i.e. staff interviews) and/or documentary evidence (i.e. memo, policies and procedures, email, etc.).

8. **What constitutes a significant deficiency or material weakness that should be reported to management?**
The CDAM states that a significant deficiency exists if policies and procedures over SCFF data management are nonexistent, outdated, or not implemented.

Per AU-C Section 265, significant deficiency is a deficiency or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance. A material weakness in internal control include the following:
Identification of fraud, whether or not material, on the part of senior management
Restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error
Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's internal control.
Ineffective oversight of the entity's financial reporting and internal control by those charged with governance.

The auditor should reference AU-C Section 265 for additional details. The auditor should always use professional judgment when making determinations regarding significant deficiencies and material weaknesses over data management. Furthermore, the auditor should communicate any impact for the

districts' ability to provide accurate data management. The communication to those charged with governance can be oral or written.

The Chancellor's Office recommends that deficiencies are communicated to district management as a management letter as referenced in the Government Auditing Standards and AU-C 260. Additional guidance on communicating deficiencies can be found in 2018 GAS Section 6.39-44.

9. **What does the Chancellor's Office consider a finding for this audit procedure?**
The auditor should exercise professional judgment when determining what constitutes a data management control environment finding. The Chancellor's Office considers each element of the CDAM suggested audit procedures to be significant to the audit objectives and recommends that any noted instance of noncompliance with elements of the CDAM procedure be classified as an audit finding, as the district's ability to maintain accurate and complete SCFF data could be impacted.

Again, the CDAM states that a significant deficiency exists if policies and procedures over SCFF data management are nonexistent, outdated, or not implemented.

10. **Will the Chancellor's Office issue additional guidance to districts on Data Management Practices?**
Yes, we are working in collaboration with the Data Governance Council to develop and issue additional guidance to the districts on best practices for data management practices.

411   SCFF DATA MANAGEMENT CONTROL ENVIRONMENT

.01   Background

The 2018 Budget Act began a transition to the Student Centered Funding Formula (SCFF) and the 2019 Budget Act further refined the SCFF calculation. The SCFF calculates general apportionments—discretionary funds available to community college districts to use pursuant to local priorities—using three calculations: (1) a base allocation, which largely reflects full-time equivalent enrollment at the district, (2) a supplemental allocation, which allocates funds based on the numbers of students who received a California College Promise Grant, students who received a Pell grant, and AB 540 students; and (3) a student success allocation, which allocates funds on the basis of outcomes related to student success. In order to determine a district's state general apportionment funding, it is essential that the SCFF metric data reported to the Chancellor's Office are accurate and complete.

Title 5 section 58311 outlines the Principles for Sound Fiscal Management for the community college system. These regulatory principles require districts to implement and maintain effective internal controls to ensure that fiscal objectives are met, define fiscal responsibilities and establish staff accountability, adhere to appropriate fiscal policies and procedures, and maintain information systems that provide timely, accurate, and reliable fiscal information for planning, decision making and budgetary control. Compliance with these principles helps ensure that community college districts submit accurate and complete SCFF metric data to the Chancellor's Office.

To encourage improvements in data management practices across the community college system, the Chancellor's Office commissioned the Fiscal Crisis and Management Assistance Team (FCMAT) to gather information and provide recommendations. The procedures suggested here are in alignment with the recommendations of the Data Management Practices Review released by FCMAT in June 2019. The report describes data management best practices, tools used by some districts to assist in building and maintaining documentation, as well as a typical local process for completing term-end data submissions.

Additional SCFF information and resources, including specific metric definitions, are available on the Chancellor's Office Student Centered Funding Formula webpage. General data submission information is available on the Management Information Systems (MIS) webpage.

.02   Criteria

- Education Code section 84750.4 (m)(4)(c)
- California Code of Regulations, title 5, section 58311, Principles for Sound Fiscal Management

.03   Compliance Requirement

Districts should demonstrate adequate oversight of data management practices including, but not limited to:
1. Policies and procedures over SCFF data management should be implemented, adhered to, and maintained to ensure that data collected and reported to the Chancellor's Office through MIS and the CCFS-320 Attendance Accounting portals are accurate and complete.
2. Responsibilities for SCFF data management should be clearly defined and assigned.
3. Information systems used to collect and report SCFF data should be monitored and maintained to ensure that timely, accurate, and reliable SCFF data is available for planning, decision making, and budgetary control.

A significant deficiency exists if policies and procedures over SCFF data management are nonexistent, outdated, or not implemented.

.04   Suggested Audit Procedures

Review the district's policies and procedures over data management internal control activities. For the base allocation metric of FTES, determine whether the district:
1. Has developed desk procedures that document data flow and steps taken to complete attendance accounting tasks relative to MIS and CCFS-320 reporting.
2. Has established a schedule to complete procedures for attendance accounting.
3. Reviews the procedures regularly and updates as needed.

For the supplemental allocation metrics, determine whether the district:
1. Has developed desk procedures that document the data flow and steps taken to complete reporting of financial aid data for MIS reporting.
2. Has identified data stewards responsible for pre- and post-MIS submission reviews.

For the student success allocation metrics, determine whether the district:
1. Has established the expectation for shared ownership of data management responsibilities at the executive level and communicated this expectation to all colleges and departments.
2. Has developed a matrix of roles and responsibilities for MIS tasks, including the designation of staff members who are trained to complete MIS responsibilities as backup.
3. Has provided appropriate training and professional development opportunities to those involved with reporting data, including training on reviewing data for accuracy.
4. Uses the Chancellor's Office Metric Definitions to build staff understanding of what data goes into each report.
5. Performs ongoing monitoring of data quality.

6. Schedules and conducts a post submission review and documents changes to improve the next submission.