

Compton Community College Fraud Audit is Released

This is the third article in our series on Compton Community College District (CCCD). On March 12, 2007, the Fiscal Crisis and Management Assistance Team (FCMAT) prepared and issued the much-anticipated fraud audit report of CCCD.

In Assembly Bill 318 (Chapter 50/2006), members of the California Legislature demanded an audit be conducted in order to secure the \$30 million bail-out loan for the district. The legislation called for an “extraordinary audit” to focus on past fraudulent practices, misappropriation of state funds, or other illegal fiscal practices at CCCD. FCMAT issued a Request for Applications (RFA) to solicit applications from qualified individuals and organizations to conduct the audit. Kessler International, an investigation firm with headquarters in New York, was selected. Under statutory requirements, the audit was to be completed in October 2006. Since the Attorney General’s Office was consulted on the document, FCMAT was unable to release it until law enforcement had signed-off.

Since the first day of the Compton District takeover by the Office of the State Chancellor in 2004, an intervention team has worked to balance stabilizing the college and keeping the doors open for students all while cleaning up the past practices of mismanagement, fraud, and corruption. This audit report details just how bad things were, and what the team from the State Chancellor’s Office has faced in the past two-and-a-half years.

When a District encounters state intervention, a trustee must be appointed to take on the role of the Board. The Chancellor’s Office appointed a State Trustee for CCCD in spring 2004 as his designee to administer the college. On May 7, 2004, the Chancellor of the California Community Colleges requested the Los Angeles County Superintendent of Schools to assign FCMAT to conduct a fiscal health analysis of the CCCD. In addition, the Chancellor asked that FCMAT conduct an extraordinary audit of specific matters pertaining to the management of the District’s resources. Under the authority of California Education Code Section 1240, FCMAT was assigned to perform this fiscal health and extraordinary audit study.

FCMAT’s initial assessment of the District was completed and provided to the Chancellor’s Office in June 2005. Copies of that evaluation can be viewed on its website, www.fcmat.org.

The Accrediting Commission for Community and Junior Colleges (ACCJC) withdrew accreditation from CCCD in August 2006. The Compton District has now partnered with El Camino Community College to provide educational services to students at the Compton Educational Center.

The fraud audit provides both findings and recommendations to the CCCD for improvement and recovery. Kessler International functioned as a subcontractor to conduct an in-depth financial audit of the district during the 2003-04 and 2004-05 fiscal years. If fraud was determined to have occurred, the investigation of the areas would be extended to include two additional years. The review of CCCD’s finances included, but was not limited to, the following areas:

1. A review of payroll and benefits irregularities with particular attention to tracking absences, vacation, and sick leave.
2. A review and analysis of independent contracts during the 2003-04 and 2004-05 fiscal years.
3. A review of teacher/student issues for irregularities including:
 - Assigning of teachers to teach more than one class at the same time
 - Enrolling of students in two classes at the same time
 - Awarding grades and/or diplomas to nonstudents
 - Issuing general education diplomas for high school graduation
 - Determining whether financial aid eligibility requirements are met or whether applications are falsified
4. A review and analysis of appropriateness of apportionment claims for FTES.
5. A review of inventory and a determination of whether college equipment is removed for personal use. A determination of whether private work is being performed by individuals or departments using college assets.
6. A review of breach of confidentiality issues, such as the unauthorized access to personal e-mail accounts, or the opening and resealing of central office mail.
7. An analysis of past and continuing practices that contribute to fraud and/or misappropriation of funds, with recommendations for remedy.

Kessler International expressed grave concerns regarding the district. "Significant flaws exist in the Compton Community College District's processes in many areas of college operations. This report has surfaced a number of problem areas that the CCCD must address immediately. This review was limited to a particular scope of work and to a specific two-year time period. However, the auditors believe that problems may be more pervasive and longer standing."

The audit was broken down into ten issue areas: FTES Apportionment, Financial Aid, Asset Inventory, Independent Contractors, Payroll, Payments to Vendors, Student Programs, College Development Foundation, Associated Student Body (ASB), and Other Issues.

FTES Apportionment

The audit revealed that the claims for FTES apportionment have been overstated; "ghost" students, instructors, and classes were included in the calculations for FTES apportionment. Documentation shows student enrollment to be significantly less than the amount claimed for FTES apportionment. The report found multiple identification numbers assigned to the same student, and students taking a class multiple times even after a "satisfactory" grade was awarded. The auditors attribute this to a lack of oversight by the Admissions Office, MIS Department, and Counseling staff of the College.

Financial Aid

It is unclear or “questionable” whether documents submitted by students to receive financial aid are legitimate, since records maintained by the Financial Aid Office were in a state of complete disarray or missing. District personnel failed to monitor financial aid to ensure that ineligible students returned funds.

Asset Inventory

Flaws in the monitoring of district assets existed. “A large amount of computer and electronic equipment purchased between 2003-04 and 2004-05 could not be located by the MIS Department. Additionally, an abandoned safe utilized by the district Police Department contained evidence, contraband and other items, including weapons.”

Independent Contractors

There are concerns about the structure of independent contracts with the CCCD involving vendors and consultants. The District does not have a consistent record of materials for contracts. Not all contracts had adequate documentation, yet funds were provided. As pointed out in the FCMAT assessment, the District failed to provide 1099 forms for funds disbursed to consultants.

Payroll

As identified in the FCMAT assessment, the district payroll was disorganized and many records could not be located. Methods for tracking employee attendance and monitoring benefits were insufficient. In addition, time-off requests were not submitted or filed.

Payments to Vendors

There was inadequate documentation and questionable transactions made to various individuals and vendors. Warrants provided by the district’s business office did not correspond with warrants on file with the Los Angeles County Office of Education.

Student Programs

Fraud appears to have occurred involving some student programs. For example, funds from the Upward Bound program may have been misused or spent for “non-educational” purposes such as, “trips to Hurricane Harbor, Magic Mountain, and Medieval Times and tickets to a Los Angeles Sparks game.”

College Development Foundation

Several college events were held by the Foundation and the Foundation paid employees nontaxable income. In addition, the Foundation issued several checks payable to cash, but the individuals who received them were unknown. The use of facilities or funds for events was not

reported in the Foundation or district's books. The district's policies on renting facilities are insufficient and should be rewritten.

Associated Student Body (ASB)

The ASB financial material and account was completely disorganized. Bank accounts for ASB were in "disarray." ASB was used to make nontaxable payments to district employees.

Other Issues

"A former employee of the District, Subject 142, has already been arrested and charged with the issuance of thousands of fake diplomas and has also allegedly been involved in the fraudulent issuance of I-120 forms under the auspices of the Compton Community College. The report contains other issues that surfaced during the audit that were outside of the scope of the audit and were therefore not researched in-depth in the time allotted for the audit. Additional investigation may be necessary to follow-up on those issues."

In their conclusion, the auditors suggested that the report be submitted to the authorities for further investigation. The FBI and Los Angeles County District Attorney's Office are reviewing the document.

The District has experienced several years of uncertainty that has impacted the college. The student body has declined to 3,000, according to district officials. It will take the college years to recover from these challenges.

Chancellor Drummond made the following statement regarding the report, "This entire experience is a lesson about what happens when locally elected officials violate the public trust. The Office of the Chancellor has greatly improved monitoring capability to prevent things like this from occurring in the future, but there is no sure cure for corrupt public officials except for transparency and voter scrutiny." The Chancellor estimated that close to \$5 million was stolen from CCCD.

Under AB 318, CCCD still needs to produce a district assessment and a recovery plan. A copy of the fraud audit is available at: <http://wwwstatic.kern.org/gems/fcmat/compfraud.pdf>

Report Issued on Minors on Community College Campuses

The Academic Senate for the California Community Colleges has issued a report titled *Minors on Campus: Underage Students at Community Colleges*. In fall 2005, there were approximately 73,000 students under the age of 18 enrolled in California community colleges, of which more than 2,500 were under the age of 14. Of these 73,000 students, 19,083 had graduated from high school. However, this report focuses mainly on those minors who have not yet graduated high school and who are taking higher level college courses or because the college provides alternative courses from those offered at the high school.

Specifically, the report highlights the following issues. The presence of these underage students on campus requires special consideration of the aspect of parental involvement in the students' education. The Family Educational Rights and Privacy Act (FERPA) specifies that a student must authorize the release of his or her community college records to another party. So, while parents are expected to be involved in the students' college education, they do not have legal access to the students' records, such as final grades, without the consent of the student. A community college should have a clear policy in place regarding the access to minor students' records and parents should be made aware of the policy. As well, community colleges have the right to determine the admission of a minor not only to the college, but also into certain courses. This differs significantly from enrollment in a public middle or high school, where admission is guaranteed if the student lives within the boundaries of the school. Clear, written policies governing such admissions and enrollment of minors should be available to parents and the minor students.

Another aspect of having minors on campus is the health and safety of the students. If faculty and staff members have direct contact with a minor, then the faculty or staff member is required by law to report any suspected child abuse. Faculty members need to be made aware of minor students in their courses so that they understand that they have child-abuse reporting responsibility for those students. Also, community college students are expected to take primary responsibility for their own safety and conduct, which differs from the K-12 school setting. Currently, community college faculty and staff take responsibility for ushering students to the exits in case of emergency or advising students on how to stay safe and keep their belongings secure, but are not required to constantly monitor and supervise the students.

The report also discusses curriculum issues. In terms of the curriculum and minor students, there are concerns when the curriculum that has been developed for adult students is then being applied to a minor. Community colleges do not ask for parental permission for student participation in particular course content or activities, such as is done in K-12 schools for subjects that may be controversial and which parents may find objectionable. The course syllabus becomes the contract between the faculty member and the student in order for the student to obtain a grade from the course, although alternate assignments may be offered at the discretion of the instructor.

Overall, this report concludes that clear communication with minor students and their parents is critical to the success of a minor student in a community college. The report recommends that having clear policies in place and having an orientation session with minor students and their

parents would serve to reduce confusion and clarify expectations for a minor student's college education experience.

A copy of the report can be found at:

http://www.asccc.org/Publications/Papers/Downloads/PDFs/Minor_2006.pdf

Can the Board of Governors Require All Community Colleges to Use One or More Standard Assessment Tests for Mandatory Placement?

- Q.* Can the Board of Governors require that all community colleges use one or more standard assessment tests to determine that all students have achieved specified levels of proficiency in basic skills before they are allowed to enroll in degree-applicable credit courses?
- A.* The direct answer is no; however, there are specific reasons for this answer and alternatives to this issue.

The Board of Governors cannot do this under current law; however, the Board could make changes in existing regulations that would mandate that all students be proficient in certain basic skills before they undertake degree-applicable credit coursework. The Education Code and state and federal regulations are all barriers that prohibit the Board from requiring one standardized assessment test.

Education Advisory Tool (E.C.) 78213

Education Code Section 78213 is the primary barrier to requiring systemwide use of a specific assessment test or tests. Under this code, assessment instruments are used “as an advisory tool to assist students in the selection of an educational program.” (§ 78213[b][2].) Legislation would be required to amend existing Education Code statutes allowing the Board to implement an assessment test to be used for mandatory placement.

Minimize Cultural and Linguistic Bias

Another section of E.C. 78213 states that “assessment instruments shall be sensitive to cultural and language differences between students.” In order to address this requirement, “existing regulations require all assessment tests be reviewed and that colleges use multiple instruments to make placement decisions.” This would require the Board to ensure that any mandatory test “minimizes” cultural and linguistic bias.

State Mandated Costs

The mandated costs associated with requiring a specific assessment test for placement are another barrier to the Board. A specific test utilized by each college would involve a state mandated cost to local districts, which is reimbursable by Government Code 17561. This is why existing regulations allow districts to utilize assessment instruments approved by the System Office that best suit “their” needs.

Title VI of the Civil Rights Act of 1964

Another barrier would be federal regulations that require that “recipients may not judge candidates for admission to vocational education programs on the basis of criteria that have the effect of disproportionately excluding persons of a particular race, color, national origin, sex, or handicap” (34 C.F.R. pt. 100, app. B.). This means that if the State

Legislature were to amend the Education Code, federal law would still require—at least for vocational programs—that certain criteria be followed when selecting a test.

Course Work Instead of Standardized Testing

The Board of Governors can make changes to Title 5 that would not run counter to E.C. 78213. If the Board wanted to ensure that students have the basic skills proficiency they need to pursue an associate degree or take courses preparing for transfer, E.C. 78213's prohibition against testing does not preclude colleges from establishing academic prerequisites. This would allow the Board to identify one or more courses that students would be required to take as a prerequisite to enrollment in any degree-applicable credit course. According to the System Office general counsel, "students would then have to either satisfactorily complete this course or set of courses or demonstrate equivalent proficiency by going through the existing assessment process, using locally validated multiple measures, already in place at their college." To make this work, Title 5, E.C. Section 55201(e), and 55202 would need to be amended to allow for universal pre-collegiate basic skills courses.

The drawback to these changes would still be cost, even if there is no mandate that all students complete a certain course or courses before taking degree-applicable coursework. There would still be state mandated costs to districts. However, if these courses are already universal and offered at all colleges, the cost to implement would be minimal and not mandated to districts. If the Board of Governors wanted to mandate a systemwide requirement for basic skills competency, it could do so under standard coursework prerequisites; since it is not a "test," the Board would not need legislative intervention.

If you have any questions regarding this information, please contact Steve Bruckman, Executive Vice-Chancellor for the System Office of the California Community Colleges at (916) 445-9328.