

Annual Audit of the Free City College Program Fund: August 1, 2021, Through July 31, 2022

Department of Children, Youth and Their Families

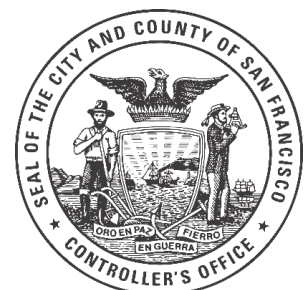


Prepared by

OFFICE OF THE CONTROLLER

CITY SERVICES AUDITOR

November 12, 2024



About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that voters approved in November 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

Team:

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Audit Consultant:

Crowe LLP

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Audit Authority

CSA conducted this audit under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

November 12, 2024

Sherrice Dorsey-Smith
Acting Executive Director
Department of Children, Youth and Their Families
1390 Market Street, Suite 900
San Francisco, CA 94102

Dear Acting Executive Director Dorsey-Smith:

The Office of the Controller, City Services Auditor (CSA), Audits Division, presents the report on Year 3 of the Free City College Program fund, which the City and County of San Francisco (City) established to provide financial assistance for San Francisco residents to attend City College of San Francisco (City College). The Department of Children, Youth and Their Families (DCYF) is charged with administering the Free City College Program (the program).

CSA engaged Crowe LLP (Crowe) to conduct the audit, which had as its objectives to determine whether money in the program fund was spent in accordance with the memorandum of understanding (MOU) between the City and City College. The audit also assessed the adequacy of City College's controls over financial and operational activities related to the program fund.

The audit found that expenditures for the program were spent in accordance with the MOU, but the allocation of administrative salaries and benefits lacks support and the City College Oversight Committee met less frequently than required.

At DCYF's request, Crowe also conducted nonaudit work to achieve four subobjectives aimed at better understanding the financial impact and improving the monitoring of the program.¹ As part of this work, Crowe found that the program may impact overall student enrollment levels by allowing students to easily apply for financial assistance compared to that for state and federal assistance. Although the program provides the easiest path for students to apply and get approved for financial assistance, a cost of approximately \$10 million of program funds per year may otherwise have been covered for the students by state and/or federal financial aid. The program also provides resources to cover additional expenses, potentially allowing students to enroll full time instead of part time.

The report includes two recommendations for DCYF to improve its program monitoring of the program fund. The responses of DCYF and City College are attached. CSA will work with DCYF to follow up every six months on the status of the open recommendations made in this report.

¹ This work is outside the guidelines of a performance audit conducted in accordance with government auditing standards. The results and recommendations for the nonaudit procedures were not subjected to performance auditing procedures. These results are intended solely to inform City management, and are intended for their consideration, including potential impact and monitoring use.

CSA and Crowe appreciate the assistance and cooperation of DCYF and City College staff involved in this audit. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 415-554-7574 or CSA at 415-554-7469.

Respectfully,

A handwritten signature in black ink, appearing to read 'Mark de la Rosa', with a stylized, flowing script.

Mark de la Rosa
Director of Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library



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Performance Audit of Free City College Program Fund Performed on behalf of the City and County of San Francisco

October 7, 2024



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Table of Contents

Cover Letter i

Executive Summary 2

Background 4

Objectives, Scope, Methodology and Conclusion 6

Findings and Recommendations 8

Appendix A – Nonaudit Procedures 11

Appendix B – Management Response..... 20

Cover Letter

Mark de la Rosa, Director of Audits
Office of the Controller, City Services Auditor
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, #306
San Francisco, CA 94102

We have conducted a performance audit of the Free City College Program Fund (the fund) administered by City College of San Francisco (City College) for the period of August 1, 2021 through July 31, 2022, to determine whether program funds were used in accordance with the stated purposes and permissible uses as agreed upon in the Memorandum of Understanding (MOU) and San Francisco Administrative Code Section 10.100-288.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed in the Objectives, Scope, Methodology and Conclusion section of this report. City College management is responsible for the compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of internal controls to determine the audit procedures that were appropriate for the purpose of providing a conclusion on the audit objectives, as specified, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our audit procedures indicate that City College did not meet Objective #3 in all significant respects. The results of our procedures indicate that City College met Objective #1 and #2 in all significant respects.

City College's written responses, Views of Responsible Officials and Corrective Action, included in the Findings and Recommendations Section of this report, and the nonaudit procedures, included in Appendix A of this report, were not subjected to the performance auditing procedures of the *Government Auditing Standards*.

We were separately engaged to perform other procedures in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. These procedures are outside scope of our performance audit and are described in Appendix A which accompanies this report.

Executive Summary

The goal of this performance audit is to determine whether City College of San Francisco (City College) used Free City College Program (the Program) funds in accordance with the stated purposes and permissible uses as agreed upon in its Memorandum of Understanding (MOU) with the City and County of San Francisco (City) and San Francisco Administrative Code Section 10.100-288. The audit covered the period of August 1, 2021, through July 31, 2022. The audit objectives, shown in the Objectives, Scope, Methodology and Conclusion section of this report, were developed based on city law, requirements set forth in the MOU, and goals outlined by the City's Department of Children, Youth and Their Families (DCYF). As part of the audit, Crowe identified two (2) findings, which are presented in the table below. Significant findings are defined as those that are deemed to be "significant" to the audit objectives. Further details of the findings in **Exhibit 1** are presented in the Findings and Recommendations section of this report. Finding 1 was deemed significant within the context of the audit objectives and Finding 2 was deemed not significant within the context of the audit objectives but warranted the attention of those charged with governance.

In performance audits, 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 (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis.

Exhibit 1 Findings and Control Evaluation

Finding	Control Evaluation ²	Audit Objective Impacted
1. City College did not provide sufficient evidence to support its methodology for allocations of administrative salaries and benefits to the Free City College Program Fund. Payroll expenses totaled \$573,563.	<i>Significant Deficiency in Internal Control</i>	1 and 3
2. The oversight committee met less frequently than required by the MOU. The committee met three times during the audit period, which does not comply with the MOU.	<i>Deficiency and Noncompliance</i>	3

As part of addressing the audit objectives, we performed procedures to determine if two previously reported findings were remediated. Of the two (2) findings from the prior audit, we observed that both findings were repeated in the current audit. **Exhibit 2** provides the status of remediation on each prior audit finding.

² Where "significant deficiency" is reportable to management and "deficiency" in control is not considered significant to the audit objectives, but auditors otherwise wish to communicate to those in charge of governance.

Exhibit 2
Status of Year 2 Audit Findings

Finding	Status	Comments
1. City College did not provide sufficient evidence to support its methodology for allocations of administrative salaries and benefits to the Free City College Program Fund. Payroll expenses totaled \$595,896.	Repeat Finding	See Finding 1 in this report for details on Finding.
2. The oversight committee met less frequently than required by the MOU. The committee met less than every three months, which does not comply with the MOU.	Repeat Finding	See Finding 2 in this report for details on Finding.

In addition to the performance audit objectives, the City requested that Crowe prepare several calculations and schedules. The procedures, results, and recommendations related to the procedures were not subjected to performance auditing standards, thus Crowe has provided no conclusion on these procedures. We performed these procedures in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The detailed approach and results of the nonaudit procedures are listed in **Appendix A**. The nonaudit procedures completed are as follows:

- Prepare a cost analysis for the following city fiscal year and provide recommendations to help program sustainability. Determine how federal and/or state aid is being leveraged in conjunction with the Free Tuition Program.
- Calculate the percentage of the total budget that is used for tuition and what percentage is used to distribute grants to students.
- Assess how DCYF manages and monitors the MOU and make recommendations for improvement.
- Determine how much revenue is generated to City College from the Free City College Program.

Background

The San Francisco Board of Supervisors established the San Francisco City College Financial Assistance Fund to provide funds to implement the Program. On August 22, 2019, the City entered into a MOU with City College to operate the program. The MOU covers a period of ten academic years, defined as “encompass[ing] Fall, Spring, and Summer, including intercessions, if any.” DCYF is the monitoring agency of the program. The MOU provided a total of \$16.4 million for Year 3. **Exhibit 3** provides the amounts budgeted for the term of the MOU.

Exhibit 3

Free City College Program Fund Annual Base Funding Amounts

Cost Category	Reported
Year 1	\$15,000,000
Year 2	\$15,700,000
Year 3 (current year audit)	\$16,400,000
Year 4 through 10 (plus CPI factor)	\$16,944,484

The program provides free tuition for credit courses at City College to eligible students, which include California residents living in San Francisco who do not receive grants or financial aid that would cover similar fees. The program also provides for education-related expenses other than enrollment fees for students who are eligible for the program and receive grants or financial aid that cover enrollment fees. In fiscal year 2021-22, approximately 16,500 students received either enrollment fees or grants from the program. Free city funding is disbursed to students in the following two ways:

- **Tuition:** Students must complete the program application form upon class registration. If the student is eligible, the enrollment fees “tuition” will appear as waived charges for payment during registration.
- **Grants:** Eligible students receive the first 50 percent of the disbursement after the last day to drop without a withdrawal and receive the second 50 percent after midterms.

As stated above, Free City received \$16.4 million in funds for Academic Year 3. Of the \$16.4 million received, City College reported spending a total of \$8,044,964 on funding for enrollment fees and grants for eligible students. **Exhibit 4** provides a breakdown of payments to students in the form of tuition, grants and repayments.³

Exhibit 4

Free City College Fund Payments to Students

Free City College Payment Type	Total
Tuition	\$5,498,587
Grants	3,235,917
Repayment	(689,540)
Total	\$8,044,964

³ Students who receive enrollment fees or grant payments from the program must repay all funds received if they withdraw from a class after the deadline to withdraw as set for each course for the specific semester. However, effective March 9, 2020, due to the COVID-19 pandemic, the California Community Colleges suspended student withdrawal regulations, thereby cancelling any possible Free City College Program repayments as of that date.

Appendix B of the MOU states that City College may use excess funds remaining in the annual allocation after fully funding enrollment fees and grants to cover administrative costs associated with the Free City College Program with DCYF's approval. Functions or staff positions may include but are not limited to: program manager, financial aid counselors, AB 540 Dream coordinator/counselor, piloting evidence-based interventions to improve student equity outcomes, data analyst, IT system upgrades, increased staff hours for financial aid counselors or data analysts, incorporation of evidence-based methods to improve state and federal applications uptake. City College reported spending an additional \$777,745 in administrative costs for Year 3 as outlined in **Exhibit 5**. In total, City College reported \$8,822,709 in program expenditures for Year 3 and a fund balance of \$7,577,291.

Exhibit 5
Free City College Program Fund Total Reported Expenditures

Cost Category	Reported
Payments to Students	\$8,044,964
Administrative Salaries and Benefits	573,563
Other ⁴	204,182
Total Year 3 Expenditures	\$8,822,709
Total Allocated	\$16,400,000
Fund Balance	\$7,577,291

⁴ Costs include contractor costs for year-end reporting, data and research and the annual audit.

Objectives, Scope, Methodology and Conclusion

The goal of the audit is to determine whether program funds are used in accordance with the stated purposes and permissible uses as agreed upon in the MOU between the City and City College. The audit was conducted and delivered as a performance audit defined by the U.S. Government Accountability Office in its Generally Accepted Government Auditing Standards. The audit covered the period from August 1, 2021, through July 31, 2022. The audit objectives for this performance audit were developed based on MOU requirements, city law, and goals outlined by DCYF. Specific objectives of the performance audit, methodology and summary conclusions are listed below:

- 1. Determine whether program funds were used in accordance with the stated purposes and permissible uses as agreed upon in the Memorandum of Understanding and San Francisco Administrative Code Section 10.100-288.***

Methodology: Crowe obtained financial records from City College related to the Free City College Program and a listing of students who were granted funding through the Free City College Program. Crowe confirmed funds disbursed did not exceed \$16,400,000. Crowe selected a sample of 70 of 16,547 students enrolled in the program and tested the following:

- Whether eligible students were required to complete a questionnaire to determine eligibility for the Free City College Program at the time of registration.
- Whether eligible California College Promise Grant Eligible Students received grants equal in value to \$46 for each enrolled credit unit.
- Whether all other eligible students received free enrollment, with enrollment fees paid for through the Free City College program.
- Whether each student was encouraged to complete a FAFSA (Free Application for Federal Student Aid) and apply for financial aid.

Testing involved reviewing screen shots from the information technology system used to facilitate enrollment in the program for each student in the sample. Crowe reviewed the initial application questionnaire, residency information, approval screens, enrollment status and payment information, as applicable.

Crowe reviewed administrative expenses against the allowable costs listed in the MOU. We received a list of staff and the percentage of time allocated to the Program. We recalculated administrative expenses allocated to the Program for each staff member based on the stated allocation to confirm it was correct. We inquired about the allocation methodology and requested City College provide policies and procedures and an approved methodology for allocating administrative expenses to the Program.

Crowe obtained a list of students that received Free City College Program funding. For those students who withdrew from their course(s) after the deadline to receive a full refund, Crowe tested the following:

- Whether a student who withdrew from a course or courses after the deadline to receive a full refund, repaid City College for all applicable enrollment fees or the value of the fees paid by grant for the course or courses, and/or grants paid for other educational expenses.
- Whether City College returned repayments to the Free City College Program Fund from students that withdrew after the deadline to receive a full refund to the Free City College Program.
- Whether all program funds were recovered from those students that withdrew post-deadline.

Conclusion: City College met this objective in all significant respects. However, Crowe did note a significant control deficiency included as Finding 1 in this report which relates to allowable allocation of administrative expenses.

2. Determine whether unspent funds were returned to the Program fund in accordance with the MOU and Administrative code.

Methodology: Crowe identified unspent funds for the audit period and tested whether those funds were returned to the Program fund in accordance with the MOU and Administrative code. Crowe obtained financial records from City College and compared the amount of Program funds allocated to the total grants and eligible expenditures to determine if Program funds are required to be returned and determined if student repayments were deposited back to program funds and these program funds are returned to City.

Conclusion: Appendix A of the MOU states that for years 1-4 of the Agreement, all unspent funds, per the annual audit, shall be deposited in the Free City College Reserve Fund. City College met this objective in all significant respects, as they returned all unspent funds from Academic Year 3 to the Program Fund.

3. Determine whether City College has reasonable controls for determining that financial and operational activities over the Program fund are properly performed.

Methodology: Crowe obtained policies and procedures related to oversight and administration of the Free City College Program including verification of eligibility, disbursement of grants and reimbursements owed to the City College for student drops and withdrawals. Crowe interviewed Free City College program staff to understand internal controls over the administration of the program and tested internal controls over eligibility determinations and eligible expenses in Objective 1. Crowe obtained a list of oversight committee members and the appointing body and determined if members were appointed by the appropriate body in compliance with requirements in Attachment B of the MOU. Crowe obtained oversight committee agendas and meeting minutes for academic year 2021/22 and determined whether frequency of meetings complied with requirement in Attachment B of MOU.

Conclusion: City College did not meet this objective in all significant respects, Crowe noted the significant control deficiency in Finding 1. In addition, Crowe included Finding 2 which was not deemed to be significant to this objective related to the frequency of the oversight committee meetings.

Findings and Recommendations

This section of the report provides findings and recommendations that resulted from the procedures conducted during our Performance Audit. Each finding presented was prepared in accordance with GAGAS for reporting findings which requires each finding to have a title, criteria, condition, cause, effect, recommendation and views of responsible officials (referred to as Management Response for the purposes of this report).

Finding 1 – Lack of support for allocation of administrative salaries and benefits

Significant Deficiency in Internal Control

Condition

City College did not provide sufficient evidence to support its methodology for allocations of administrative salaries and benefits to the Free City College Program Fund. Specifically, City College provided a listing of relevant staff that allocated time to the Free City Program and a description of activities completed in support of the Free City Program. However, City College did not provide support for how allocations were developed (i.e., time sheet reporting, time and motion study). Payroll expenses allocated to the Free City College Program totaled \$573,563.

Criteria

Appendix B of the MOU states the City College may use excess funds remaining in the annual allocation after fully funding enrollment fees and grants to cover administrative costs associated with the Free City College Program with DCYF's approval. Functions or staff positions may include but are not limited to: program manager, financial aid counselors, AB 540 Dream coordinator/counselor, piloting evidence-based interventions to improve student equity outcomes, data analyst, IT system upgrades, increased staff hours for financial aid counselors or data analysts, incorporation of evidence-based methods to improve state and federal applications uptake.

Cause

City College does not have a documented process, including documented review and approval, related to their administrative expense allocation methodology for the Free City College Program. City College management determined administrative allocations based on an estimate of time spent on the Free City College Program for each staff included in the allocation.

Effect

Administrative costs charged to the Free City College Program may not be accurate.

Recommendation

DCYF should require City College to submit a methodology for review before approving additional staff allocation expenses. The methodology for allocating staff time to the Free City College Program needs to be better defined and approved by DCYF. We recommend implementing a time sheet reporting system, conducting a time and motion study, or completing lookback reviews of time allocations to include staff verification of time reported.

Management Response

DCYF:

DCYF worked with City College and Controller's Office to allow City College to charge indirect costs, including administrative staff salaries and benefits based on City College's Federally Approved Indirect Rate early FY21-22. The approved rate was 29.5%. However, in practice, City College did not separate direct staff costs from indirect staff costs and did not provide backup documentation for direct staff costs. The implementation of the indirect cost rate was not reflected either, even though the administrative staff salaries and benefits charged were within the approved rate. DCYF will work with City College to better implement the agreed methodology.

City College:

DCYF leadership has approved the program indirect costs for administering the Free City College Program. Such indirect costs are the salaries and benefits of CCSF classified employees and administrators, based on percentages of time and efforts approved by DCYF.

Finding 2 – Oversight Committee Met Less Frequently than Required by the MOU

Deficiency and noncompliance

Condition

The oversight committee met less frequently than required by the MOU. Appendix A requires the Oversight Committee meet once every three months. Crowe found the Oversight Committee met in January 2022, March 2022, and May 2022 during the audit period. The frequency of meetings is less than every three months, which does not comply with the MOU.

Criteria

Appendix A requires the Oversight Committee meet once every three months.

Cause

City College / DCYF do not have documented internal controls related to holding Oversight Committee meetings once every three months. According to DCYF, due to COVID-19 pandemic the committee met less regularly than required.

Effect

Not meeting at the frequency outlined in the MOU may impact the Oversight Committee's ability to properly monitor and govern the program.

Recommendation

DCYF should require the Oversight Committee meetings occur every three months as required by the MOU.

Management Response

DCYF:

The required number of meetings were met for Academic Year 2022-23 & 2023-24. DCYF has begun to schedule meetings for Academic Year 2024-25.

City College:

Members of Oversight Committee from DCYF were short staffed prior to FY2022. They have hired program analyst to meet the committee meeting requirements. CCSF members on the committee will actively participate in such meetings and other oversight activities.

Appendix A – Nonaudit Procedures

The City requested that Crowe conduct various subobjectives, which Crowe determined to be outside of the guidelines of a performance audit in accordance with GAGAS. We perform the procedures in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants.

The results and recommendations for the following procedures were not subjected to performance auditing procedures. The results of the nonaudit procedures are presented in detail on the following pages.

1. **Nonaudit Procedure 1** – Prepare a cost analysis for the following City fiscal year and provide recommendations to help program sustainability. Determine how federal/state aid is being leveraged in conjunction with the Free Tuition Program.
2. **Nonaudit Procedure 2** – Calculate the percentage of the total budget that is used for tuition and what percentage is used to distribute grants to students.
3. **Nonaudit Procedure 3** – Assess DCYF's management and monitoring of the MOU and make recommendations for improvement.
4. **Nonaudit Procedure 4** – Determine how much revenue is generated to City College from the Free City College Program.

Nonaudit Procedure 1

Objective: Prepare a cost analysis for the following City fiscal year and provide recommendations to help program sustainability. Determine how federal/state aid is being leveraged in conjunction with the Free Tuition Program.

Approach:

- Obtain financial records from City College for academic year 2021/22 and year to date 2022/23.
- Obtain current and planned tuition costs for 2022/23 and 2023/24 academic years.
- Obtain enrollment data for previous three years. Develop a projection of enrollment numbers for next academic year.
- Determine the ratio of federal/state/Free College Program/other funding used in academic year 2021/22 and year to date 2022/23.
- Develop a cost projection for remainder of academic year 2022/23 and/or an analysis for 2023/24.
- Determine if the program is sustainable based on cost analysis and develop recommendations for program, as necessary.

Results: Based on the assumptions and inputs outlined below, Crowe determined that the program is sustainable for the foreseeable future. Crowe notes, that the funding mechanism for the Free City College Program is being updated through negotiations between the City and City College. The future budget and overall funding mechanism is unknown at this time and was scheduled to be finalized in August 2024. Crowe will re-evaluate the program's sustainability in next audit phase.

Exhibit A-1 presents Crowe's multi-year projection for program expenditures and fund balance.⁵ Note, expenditures from Summer 2020 totaling \$592,146 were not included in the Year 1 Audit or audit report and were not reflected in expenses for audit year 2019/20. Crowe will audit these claimed expenditures during the Year 4 audit cycle covering academic year 2022/23. Exhibit A-1 reflects the updated expenditure total and fund balance assuming all claimed expenses will be included.

⁵ Estimated deposits for 2023/24 and 2024/25 based on the City's FY 2024-25 and FY 2025-26 Revenue Letter, page 25 item 8: https://www.sf.gov/sites/default/files/2024-06/FY24-25%20and%20FY25-26%20Revenue%20Letter_FINAL.pdf

Exhibit A-1
Estimated Free City College Program Fund Beginning and Ending Balance Through
Academic Year 2024/25⁶

Audit Year ⁷	Annual Base Funding (a)	Expense (b)	Beginning Balance (c)	Deposits ⁸ (d = a - b)	Withdrawal ⁹ (e)	Fund Balance (f = c + d - e)
2019/20	\$15,000,000	\$10,714,098	\$2,000,000	\$ -	\$ -	\$2,000,000
2020/21	15,700,000	10,118,517	2,000,000	4,285,902	-	6,285,902
2021/22	16,400,000	8,822,709	6,285,902	5,581,483	1,000,000	10,867,385
2022/23 ¹⁰	16,944,480	9,536,626	10,867,385	-	4,000,000	6,867,385
2023/24	16,862,480	9,000,000	6,867,385	7,577,292	6,867,385	7,577,291
2024/25	9,300,000	9,000,000	7,577,291	7,407,854	7,500,000	7,487,145
2025/26 ¹¹	\$7,150,000	\$7,150,000	\$7,485,145	\$3,931,240	\$8,000,000	\$3,416,385

Management Response

DCYF:

DCYF concurs with the results of this procedure. In response to Year 2 audit recommendation, DCYF started working with the Controller's Office in monitoring the fund balance and the committee had been in discussion on how to appropriate the fund balance. As a result of the analysis, the City will propose changes to the MOU that will take effect beginning July 2025.

⁶ The funding mechanism for the Free City College Program is being updated through negotiations between the City and City College. The final budget and overall funding mechanism is unknown at this time and is scheduled to be finalized in August 2024. The assumptions in Table A-1 are based on the current funding mechanism.

⁷ 2019/20, 2020/21, and 2021/22 represent actual expenses. 2022/23, 2023/24, and 2024/25 are estimates.

⁸ Fund balances due to ineligible spending and unspent funds are applied to the subsequent year due to the timing of when the deposit entries are made.

⁹ \$1 million withdrawal for the WERF (workforce development) program. \$4 million withdrawal for the SFUSD (bridge to CCSF) program. \$6.8M fund balance was depleted in 2023-24, where \$4.9M was used for FY24 General Fund budget balancing and \$2M was used to pay for unpaid/outstanding student fees. \$7.5M reserve from FY21-22 is the anticipated to be spent in FY24-25.

¹⁰ 2022/23 Expenses include \$592,146 from Summer 2020 that were not included in the Year 1 Audit but were incurred by City College. Crowe will audit this amount during the Year 4 Audit cycle.

¹¹ Deposit amount assumes a 50% split share from 2023/24 and withdrawal of \$8,000,000.

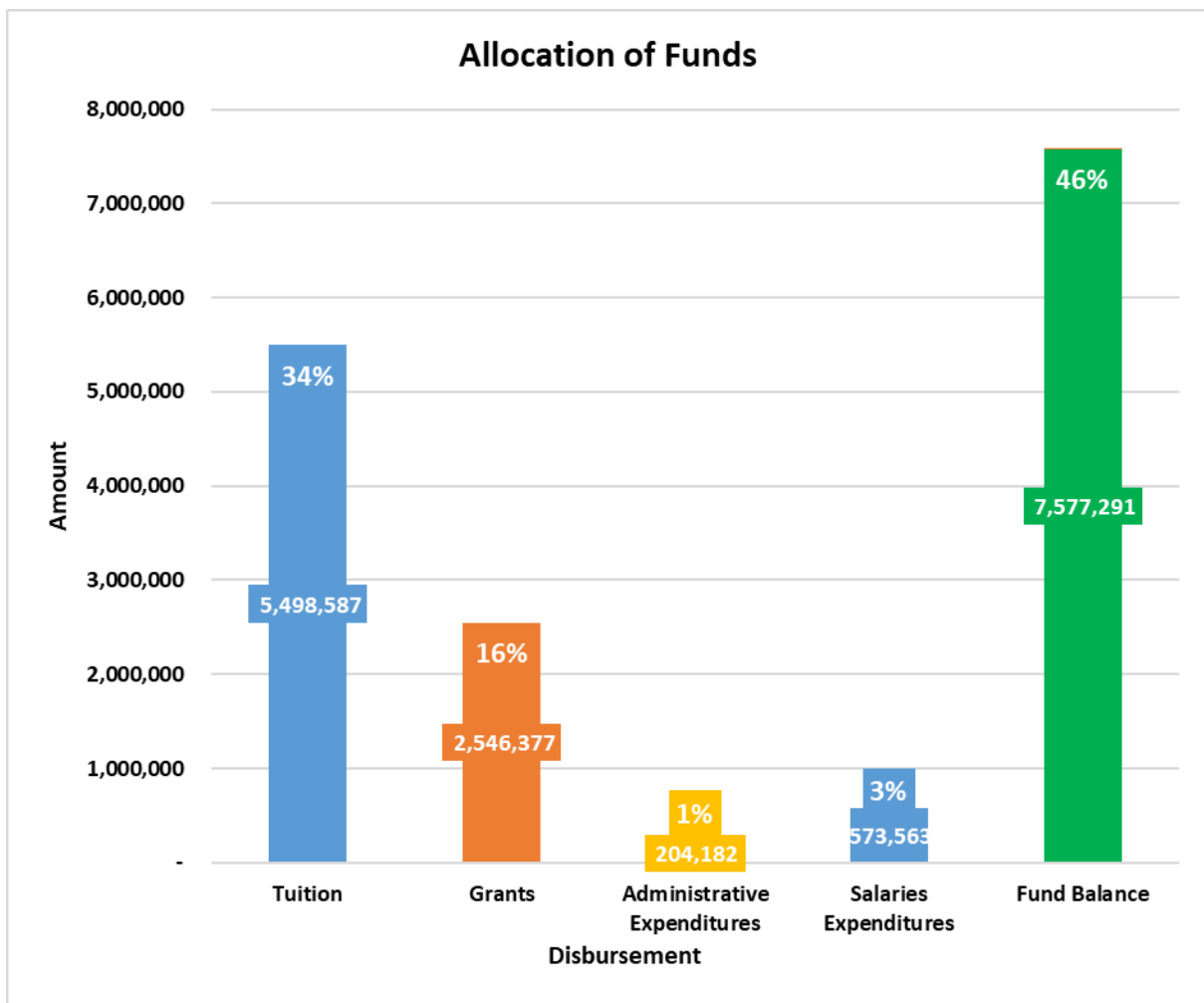
Nonaudit Procedure 2

Objective: Calculate the percentage of the total budget that is used for tuition and what percentage is used to distribute grants to students.

Approach: Obtain financial records from City College for academic year 2021/22 and calculate ratio of total budget to actual grants distributed.

Results: Crowe obtained detailed financial records from City College and calculated the ratio of funds used for tuition and grants. **Exhibit A-2** provides a breakdown of all expense categories for reference. The Free City College Program provided \$5,498,587 in tuition and \$2,546,377 in grants, totaling 50 percent of allocated funding for Year 3.

Exhibit A-2
Free City College Program Expenditures, by Category, and Fund Balance



Management Response

DCYF:

DCYF concurs with the results of this nonaudit procedure. In response to Year 2 audit recommendation, City College has provided the percentage of the students received cash grant and/or tuition waiver in the 2022-2023 Free City College Annual Report.

Nonaudit Procedure 3

Objective: Assess DCYF's management and monitoring of the MOU and make recommendations for improvement.

Approach:

- a. Interview DCYF management to gain an understanding of DCYF's role in monitoring the Free City College Program.
- b. Interview City College staff to gain perspective on DCYF's role in monitoring the program.
- c. Review MOU, relevant statutes and regulations, and documented policies and procedures related to monitoring activities.
- d. Review other similar programs MOU/agreements and/or applicable laws to identify best practices.
- e. Develop recommendations to strengthen and/or change the MOU to improve DCYF's management capabilities over the program.

Results:

Crowe reviewed the MOU, relevant statutes / regulations and documented policies and procedures related to monitoring activities and met with DCYF and City College employees. Based on interviews with relevant staff and detailed review of the MOU, relevant statutes / regulations and documented policies and procedures related to monitoring activities, Crowe recommends DCYF to strengthen and/or change MOU to improve DYCF management capabilities over the program with the following:

- Better definition of return of funds. Propose calculation plan for city approval.
- Submit methodology for administrative and IT support expenses to DCYF for approval.
- No Executive compensation should be included. Add cap to administrative expenses.
- Better align to CCSF academic year (Fall 2020, Spring 2020, Summer 2021, etc.)
- Align disbursements, invoicing and refunds based on FY to align with audited financial statements.
- More clearly define eligible expenses, cutoff off expenses at the admissions stage, determine methodology for allocations to overhead including IT / personnel costs.
- City vs. state reporting, need to align so only have to create one report.
- Potentially move oversight duties out of DCYF to more appropriate governing agency. Education?

Further, DCYF or other oversight agency needs to have more control over spending (e.g., approvals of administrative and IT support expenses).

In addition, Crowe reiterates DCYF's recommendations provided in the Administrative Cost Memo of January 29, 2020. The memo requests that City College submit a set of Free City College Program annual expense reports no later than September 30th. In addition, DCYF included the following breakdown of each report City College should provide:

The Expense Report Summary

- Program Enrollment Waiver Costs (Fall, Spring Summer)
- Program Grant (Fall, Spring, Summer)
- Costs associated with administration of program (Fall, Spring, Summer)

Annual Expense Report (Supplemental Information for Invoice)

- Student Cost (ongoing program reporting)
- Staff Costs (Department, first and last name, amount, percentage of staff time)
- Breakdown of Other Support

Annual Budget Narrative

- Please provide a brief explanation of how staff costs are determined in implementing the program.
- Please provide a brief explanation of how IT costs are determined in implementing the Free City College Program. For example, are IT expenditures determined based on the percentage of all students who take advantage of the program?
- Please describe how "other costs" are used to assist with program implementation.
- Are there any additional costs or recommendations that should be considered to support in program implementation?
- Are there any significant foreseeable changes towards administrative costs for next year?

Management Response

DCYF:

DCYF concurs with the results of this nonaudit procedure. In response to prior year audit recommendation, DCYF had been working closely with City College on establishing better oversight procedures, particularly for approvals of administrative and IT support expenses and one-time costs. City College had been submitting Federally approved indirect cost rates to DCYF since FY21-22, which is the rate DCYF approves City College to charge indirect costs at, including administrative staff salaries and benefits. A revised memo was sent to City College on September 19, 2023, requiring City College to submit expense requests for one-time costs. DCYF has received expense requests in FY23-24.

Nonaudit Procedure 4

Objective: Determine how much revenue is generated to City College from the Free City College Program.

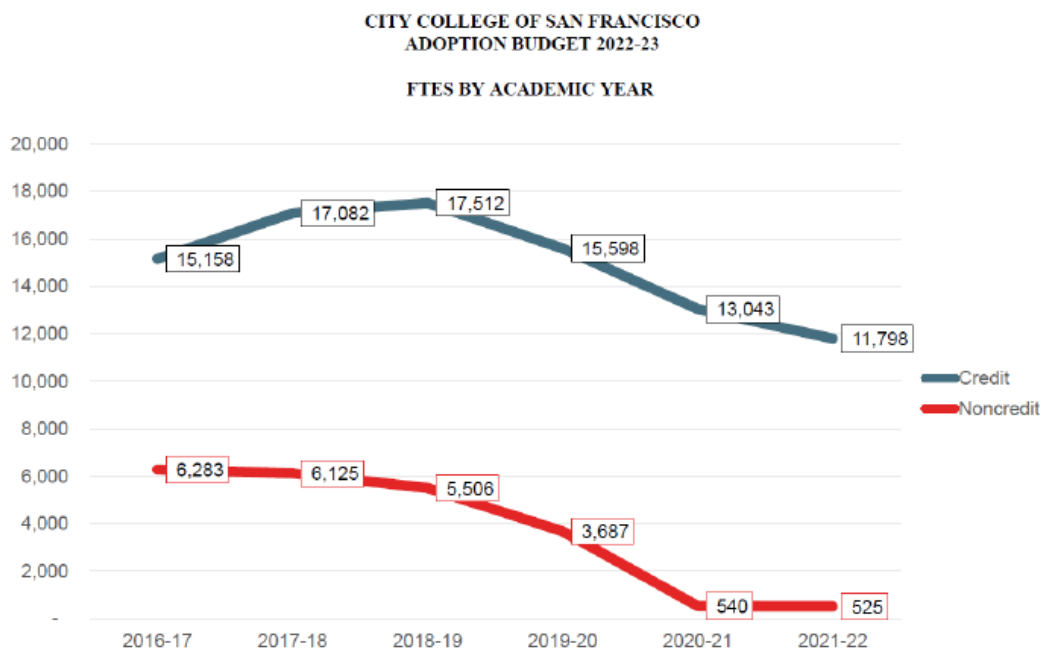
Approach: Discussions with City College about how the Free City College Program has impacted City College revenue.

Results: Crowe determined that the range of measurable revenue generated to the program was between \$5,498,610 (total enrollment fees paid for academic year 2021-22) and \$8,042,982 (total Free City College Fund payments to students).

Free City may also impact overall student enrollment levels by allowing students to easily apply for additional financial assistance and to enroll full time instead of part time. The process for applying to Free City is much less cumbersome compared to the FAFSA process and Free City provides resources to cover additional expenses potentially allowing a student to enroll full time.

Increased enrollment is the largest driver of increased general apportionment revenue to City College. Approximately 80 percent of Proposition 98 funding is allocated based on full time equivalent student (FTES) counts. Overall enrollment has been decreasing since 2018-19 as shown in **Exhibit A-3**, however approximately 70 percent of City College students use Free City funds which would indicate enrollment levels (and revenue) may have been further reduced without this additional funding source.

Exhibit A-3 City College of San Francisco FTES by Academic Year



To further support the assumption that Free City has kept enrollment levels from falling even faster, we provide the primary revenue sources for tuition and fees for students in **Exhibit A-4**. If a student is eligible for all funding sources the funding would be applied in the order listed in the table. California College Promise Grant would be used first to cover tuition and fees. Free City would then be used to cover any remaining tuition and fees and provide additional funding to the student in the form of a grant. If the student was not eligible for California College Promise Grant, then Free City would be the first funds available, then California College Grant and Federal Aid. The vast majority of Free City program students also qualify for the California College Promise Grant, the California Grant program and Federal financial aid. However, as stated above Free City provides the easiest path for students to apply and get approved for financial assistance, the result is Free City funds are being used by about 21,000 students annually at a cost of approximately \$10 million per year that may otherwise be covered by the CCPG, CA Grant program and/or Federal Financial Aid. Free City provides a valuable resource for students that may not qualify for other assistance programs and would otherwise not enroll in college or only enroll part time.

Exhibit A-4
Available Funding Sources to Qualified Students

Funding Type	Application	Eligibility
California College Promise Grant	FAFSA or CA Dream Act Application	<p>Method A:</p> <ul style="list-style-type: none"> Receiving monthly cash assistance (TANF/CalWORKs, SSI/SSP, or General Assistance) Dependent student whose parents are receiving cash assistance Eligible dependent of a United States Veteran Recipient of the Congressional Medal of Honor or dependent of a recipient Dependent of a victim of the September 11, 2001 terrorist attack Dependent of a deceased law enforcement/fire suppression personnel killed in the line of duty Exonerated from a crime by writ of habeas corpus or pardon Dependent of a deceased physician, nurse, or first responder who died of COVID-19 <p>METHOD B:</p> <ul style="list-style-type: none"> Household income <p>METHOD C:</p> <ul style="list-style-type: none"> Unmet need, through the completion of a FAFSA/Dream Act application. Resident of California and City of San Francisco
Free City Program	Free City Application	
Cal Grant (B)	FAFSA or CA Dream Act Application	<ul style="list-style-type: none"> Resident of California Financial need, income, and asset ceilings At least a 2.0 GPA
Federal Student Aid	FAFSA or CA Dream Act Application	<ul style="list-style-type: none"> Financial need, income, and asset ceilings

Management Response

DCYF:

DCYF concurs with the results of this nonaudit procedure. In response to Year 2 audit recommendation, City College has conducted an extensive analysis on its student enrollment, which includes the overall trend in the past 5 years, Free City recipient rates, student residency, student age, gender and race distribution, equity, financial aid status, and academic outcomes.

Appendix B – Management Response

The Department of Children, Youth and Their Families:

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Maria Su, Psy.D.
Executive Director



London N.
Breed

July 11, 2024

Mark de la Rosa, Director of Audits
Office of the Controller, City Services Auditor
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, #476
San Francisco, CA 94102

Subject: Department of Children, Youth & Their Families' Management Response to
Performance Audit of Free City College Program Fund Performed on behalf of the City and
County of San Francisco

Dear Mr. de la Rosa,

Thank you for the opportunity to review the results of the Performance Audit of Free City
College Program Fund Performed on behalf of the City and County of San Francisco.

DCYF agrees or partially agrees with the recommendations provided by Crowe. Please refer to
the attached Audit Recommendation and Response Form for our detailed responses.

If you have any questions, please feel free to contact me at maria.su@dcyf.org.

Sincerely,

DocuSigned by:
Maria Su
71F0FD5D32A4DA...

Maria Su, Psy.D.
Executive Director
Department of Children, Youth and Their Families
1390 Market Street, San Francisco, CA 94102
(628) 652-7100

cc: Heidi Burbage, Chief Financial Officer
Jasmine Dawson, Deputy Director, City & Community Partnerships

Department of Children, Youth and Their Families
1390 Market Street Suite 900 * San Francisco, CA 94102 * 628-652-7100 * www.dcyf.org

Recommendation and Response

For each recommendation, the responsible agency should indicate in the column labeled **Agency Response** whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue

Recommendation	Agency Response	CSA Use Only Status Determination*
The Department of Children, Youth and Their Families (DCYF) should:		
1. Require City College to submit a methodology for review before approving additional staff allocation expenses. The methodology for allocating staff time to the Free City College Program needs to be better defined and approved by DCYF. We recommend implementing a time sheet reporting system, conducting a time and motion study, or completing lookback reviews of time allocations to include staff verification of time reported.	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur DCYF worked with City College and Controller's Office to allow City College to charge indirect costs, including administrative staff salaries and benefits based on City College's Federally Approved Indirect Rate early FY21-22. The approved rate was 29.5%. However, in practice, City College did not separate direct staff costs from indirect staff costs, and did not provide backup documentation for direct staff costs. The implementation of the indirect cost rate was not reflected either, even though the administrative staff salaries and benefits charged were within the approved rate. DCYF will work with City College to better implement the agreed methodology.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
2. Require the Oversight Committee meetings occur every three months as required by the MOU.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur The required number of meetings were met for Academic Year 2022-23 & 2023-24. DCYF has begun to schedule meetings for Academic Year 2024-25.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Department Response to Nonaudit Procedures

Procedures Performed	Agency Response
1. Nonaudit Procedure 1 – Prepare a cost analysis for the following City fiscal year and provide recommendations to help program sustainability. Determine how federal/state aid is being leveraged in conjunction with the Free Tuition Program.	DCYF concurs with the results of this procedure. In response to Year 2 audit recommendation, DCYF started working with the Controller’s Office in monitoring the fund balance and the committee had been in discussion on how to appropriate the fund balance. As a result of the analysis, the City will propose changes to the MOU that will take effect beginning July 2025.
2. Nonaudit Procedure 2 – Calculate the percentage of the total budget that is used for tuition and what percentage is used to distribute grants to students.	DCYF concurs with the results of this nonaudit procedure. In response to Year 2 audit recommendation, City College has provided the percentage of the students received cash grant and/or tuition waiver in the 2022-2023 Free City College Annual Report.
3. Nonaudit Procedure 3 – Assess DCYF’s management and monitoring of the MOU and make recommendations for improvement.	DCYF concurs with the results of this nonaudit procedure. In response to prior year audit recommendation, DCYF had been working closely with City College on establishing better oversight procedures, particularly for approvals of administrative and IT support expenses and one-time costs. City College had been submitting Federally approved indirect cost rates to DCYF since FY21-22, which is the rate DCYF approves City College to charge indirect costs at, including administrative staff salaries and benefits. A revised memo was sent to City College on September 19, 2023, requiring City College to submit expense requests for one-time costs. DCYF has received expense requests in FY23-24.
4. Nonaudit Procedure 4 – Determine how much revenue is generated to City College from the Free City College Program.	DCYF concurs with the results of this nonaudit procedure. In response to Year 2 audit recommendation, City College has conducted an extensive analysis on its student enrollment, which includes the overall trend in the past 5 years, Free City recipient rates, student residency, student age, gender and race distribution, equity, financial aid status, and academic outcomes.



DIVISION OF STUDENT AFFAIRS

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**City College of San Francisco
Management Response to Free City College Program Audit**

10/07/2024

Mark de la Rosa, Director of Audits
Office of Controller, City Service Auditor
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place #306
San Francisco, CA 94102

Subject: City College of San Francisco's management response to the audit findings of Free City College Program.

Dear Mr. de la Rosa:

Thank you for the opportunity to review the results of the Performance Audit of the Free City College Program! City College of San Francisco agrees with the findings and recommendations provided by the audit firm Crowe LLP. City College of San Francisco also will work with Department of Children Youth and Their family (DCYF) to implement the following corrective action plan.

- 1) Audit Finding: City College did not provide sufficient evidence to support its methodology for all allocations of administrative salaries and benefits to the Free City College Program Fund.

CCSF response: DCYF leadership has approved the program indirect costs for administering the Free City College Program. Such indirect costs are the salaries and benefits of CCSF classified employees and administrators, based on percentages of time and efforts approved by DCYF.

- 2) Audit Finding: The Oversight Committee met less frequently than required by the MOU.

CCSF response: Members of Oversight Committee from DCYF were short staffed prior to FY2022. They have hired program analyst to meet the committee meeting requirements. CCSF members on the committee will actively participate in such meetings and other oversight activities.

If you have any questions, please feel free to contact me at lcooperwilkins@ccsf.edu.

Sincerely,
Lisa Cooper Wilkins
Vice Chancellor of Student Affairs
City College of San Francisco
50 Frida Kahlo Way
San Francisco, CA 94112

cc: Mitch Bailey, Chancellor of CCS
Maria Su, Executive Director
Heidi Burbage, Chief Financial Officer

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