



JOHN CHIANG
California State Controller

July 9, 2013

Carol R. Horton, Vice President
Financial and Administrative Services
Citrus Community College District
1000 West Foothill Boulevard
Glendora, CA 91741-1899

Dear Ms. Horton:

The State Controller's Office reviewed the costs claimed by the Citrus Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, Second Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2010, through June 30, 2011. Our review was limited to validating the indirect costs and authorized health service fees that the district reported.

The district claimed \$93,454 for the mandated program. Our review found that \$6,916 is allowable and \$86,538 is unallowable. The costs are unallowable because the district overstated indirect costs and understated authorized health service fees, as described in the attached Summary of Program Costs, and Findings and Recommendations.

For the fiscal year 2010-11 claim, the State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$6,916, contingent upon available appropriations.

If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

Attachments

RE: S13-MCC-950

cc: Mollie Quasebarth, Principal Program Budget Analyst
Education Systems Unit, California Department of Finance
Mario Rodriguez, Finance Budget Analyst
Education Systems Unit, California Department of Finance
Christine Atalig, Specialist, College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2010, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 356,694	\$ 356,694	\$ —	
Services and supplies	130,357	130,357	—	
Total direct costs	487,051	487,051	—	
Indirect costs	167,004	153,057	(13,947)	Finding 1
Total direct and indirect costs	654,055	640,108	(13,947)	
Less authorized health service fees	(546,460)	(619,051)	(72,591)	Finding 2
Less offsetting savings/reimbursements	(14,141)	(14,141)	—	
Total program costs	<u>\$ 93,454</u>	6,916	<u>\$ (86,538)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,916</u>		

¹ See Attachment 2, Findings and Recommendations.

Attachment 2— Findings and Recommendations July 1, 2010, through June 30, 2011

FINDING 1— Overstated indirect costs

The district overstated indirect costs by \$13,947. The district's indirect cost rate calculation and claimed costs did not comply with the parameters and guidelines and the SCO's claiming instructions for the following reasons:

- The district calculated its fiscal year (FY) 2010-11 indirect cost rate based on actual costs from FY 2009-10.
- The district incorrectly identified Community Relations costs as indirect costs.

We calculated the allowable indirect cost rate based on actual costs that the district identified in its FY 2010-11 CCFS-311 report and FY 2010-11 independent audit report. The following table summarizes the allowable indirect cost rate calculation:

Activity	Indirect - Salaries, Benefits, and Operating Expenses	Direct - Salaries and Benefits Only
Instructional activities	\$ -	\$ 29,316,094
Instructional administration and governance	-	3,411,222
Instructional support services	-	1,737,357
Admission and records	-	1,125,849
Student counseling and guidance	-	2,227,025
Other student services	-	3,444,317
Operation and maintenance of plant	4,841,870	-
Planning, policy making, and coordination	1,247,515	-
General institutional support services:		
Community relations	-	388,771
Fiscal operations	1,443,492	-
Human resources management	1,098,035	-
Non-instructional staff retirees' benefits and retirement incentives	900,565	-
Staff development	26,449	-
Staff diversity	6,693	-
Logistical services	2,600,794	-
Management information systems	2,203,399	-
Other general institutional support services	-	-
Community services and economic development	-	981,372
Ancillary services	-	3,021,384
Auxiliary operations	-	-
Depreciation	5,218,807	-
Totals	<u>\$ 19,587,619</u>	<u>\$ 45,653,391</u>
	(A)	(B)
Allowable Indirect Cost Rate ((A) ÷ (B))	<u>42.91%</u>	

The following table summarizes the review adjustment:

	Fiscal Year 2010-11
Salaries and benefits claimed	\$ 356,694
Allowable indirect cost rate	x 42.91%
Allowable indirect costs	153,057
Less indirect costs claimed	<u>(167,004)</u>
Review adjustment	<u>\$ (13,947)</u>

The parameters and guidelines state, “Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.”

The SCO’s claiming instructions state, “A CCD [community college district] may claim indirect costs using the Controller’s methodology (FAM-29C). . . .”

Recommendation

We recommend that the district claim indirect costs using indirect cost rates calculated in accordance with the SCO’s FAM-29C methodology specified in the SCO’s claiming instructions.

FINDING 2— Understated authorized health service fees

The district understated authorized health service fees by \$72,591.

Mandated costs do not include costs that are reimbursable from authorized fees. Government Code section 17514 states that “costs mandated by the state” means any increased costs that a school district is required to incur. To the extent community college districts can charge a fee, they are not required to incur a cost. In addition, Government Code section 17556 states that the Commission on State Mandates shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

Education Code section 76355, subdivision (c), states that health fees are authorized for all students except those who: (1) depend exclusively on prayer for healing, or (2) are attending a community college under an approved apprenticeship training program. The California Community Colleges Chancellor’s Office (CCCCO) identified the fees authorized by Education Code section 76355, subdivision (a). The authorized fees per student for FY 2010-11 were \$14 for the summer session and winter intersession, and \$17 for the fall and spring semesters.

We obtained student enrollment data from the CCCCCO. The CCCCCO identified enrollment data from its management information system (MIS) based on student data that the district reported. The CCCCCO identified the district’s enrollment based on MIS data element STD7, codes A through G.

The following table shows the authorized health service fee calculation and review adjustment:

	Period				Total
	Summer Session	Fall Semester	Winter Intersession	Spring Semester	
Fiscal Year 2010-11:					
Number of enrolled students	5,639	14,089	4,364	14,088	
Authorized health fee rate	× \$(14)	× \$(17)	× \$(14)	× \$(17)	
Authorized health service fees	<u>\$ (78,946)</u>	<u>\$ (239,513)</u>	<u>\$ (61,096)</u>	<u>\$ (239,496)</u>	\$ (619,051)
Less authorized health service fees claimed					546,460
Review adjustment, FY 2010-11					<u>\$ (72,591)</u>

Recommendation

We recommend that the district deduct authorized health service fees from mandate-related costs claimed. To properly calculate authorized health service fees, we recommend that the district identify the number of enrolled students based on MIS data element STD7, codes A through G. In addition, we recommend that the district maintain documentation that identifies any students the district excludes from the health service fee based on Education Code section 76355, subdivision (c)(1).