



**JOHN CHIANG**  
**California State Controller**

July 9, 2013

Teresa M. Scott, Executive Vice Chancellor, Fiscal Services  
Yosemite Community College District  
2201 Blue Gum Avenue  
Modesto, CA 95358-1052

Dear Ms. Scott:

The State Controller's Office reviewed the costs claimed by the Yosemite 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, 2009, through June 30, 2010. Our review was limited to validating the indirect costs and authorized health service fees that the district reported.

The district claimed and was paid \$354,482 for the mandated program. Our review found that \$250,134 is allowable and \$104,348 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. The State will offset \$104,348 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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](http://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/kw

Attachments

RE: S13-MCC-952

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, 2009, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Salaries and benefits	\$ 780,269	\$ 780,269	\$ —	
Services and supplies	137,823	137,823	—	
Total direct costs	918,092	918,092	—	
Indirect costs	391,291	311,795	(79,496)	Finding 1
Total direct and indirect costs	1,309,383	1,229,887	(79,496)	
Less authorized health service fees	(943,197)	(968,049)	(24,852)	Finding 2
Less offsetting savings/reimbursements	(11,704)	(11,704)	—	
Total program costs	<u>\$ 354,482</u>	250,134	<u>\$ (104,348)</u>	
Less amount paid by the State		<u>(354,482)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (104,348)</u>		

<sup>1</sup> See Attachment 2, Findings and Recommendations.

## Attachment 2— Findings and Recommendations July 1, 2009, through June 30, 2010

**FINDING 1—  
Overstated indirect costs**

The district overstated indirect costs by \$79,496. 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) 2009-10 indirect cost rate based on actual costs from FY 2008-09 rather than FY 2009-10.
- The district incorrectly identified Community Relations costs as indirect costs.
- The district calculated indirect costs claimed by applying its indirect cost rate to total direct costs rather than salaries and benefits only.

We calculated the allowable indirect cost rate based on actual costs that the district identified in its FY 2009-10 CCFS-311 report and FY 2009-10 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	\$ -	\$ 47,783,370
Instructional administration and governance	-	5,645,053
Instructional support services	-	5,386,653
Admission and records	-	1,383,936
Student counseling and guidance	-	3,492,034
Other student services	-	6,448,872
Operation and maintenance of plant	9,203,517	-
Planning, policy making, and coordination	3,899,455	-
General institutional support services:		
Community relations	-	446,282
Fiscal operations	2,386,365	-
Human resources management	348,248	-
Non-instructional staff retirees' benefits and retirement incentives	1,326,077	-
Staff development	5,754	-
Staff diversity	539,949	-
Logistical services	3,953,376	-
Management information systems	3,588,761	-
Other general institutional support services	129,843	-
Community services and economic development	-	1,049,947
Ancillary services	-	759,086
Auxiliary operations	-	905,350
Depreciation	3,909,163	-
<b>Totals</b>	<b>\$ 29,290,508</b>	<b>\$ 73,300,583</b>
	(A)	(B)
Allowable Indirect Cost Rate ((A) ÷ (B))	<u>39.96%</u>	

The following table summarizes the review adjustment:

	Fiscal Year <u>2009-10</u>
Salaries and benefits claimed	\$ 780,269
Allowable indirect cost rate	<u>x 39.96%</u>
Allowable indirect costs	311,795
Less indirect costs claimed	<u>(391,291)</u>
Review adjustment	<u>\$ (79,496)</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. We also recommend that the district calculate indirect costs claimed by applying its indirect cost rate to direct salaries and benefits only.

**FINDING 2—  
Understated authorized  
health service fees**

The district understated authorized health service fees by \$24,852.

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 2009-10 were \$14 for the summer session 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 CCCCCO eliminated any duplicate students based on their Social Security numbers.

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

	Period			Total
	Summer Session	Fall Semester	Spring Semester	
Fiscal Year 2009-10:				
Number of enrolled students	11,452	24,145	23,368	
Authorized health fee rate	× \$(14)	× \$(17)	× \$(17)	
Authorized health service fees	<u>\$(160,328)</u>	<u>\$(410,465)</u>	<u>\$(397,256)</u>	\$ (968,049)
Less authorized health service fees claimed				<u>943,197</u>
Review adjustment, FY 2009-10				<u>\$ (24,852)</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. The district should eliminate duplicate entries for students who attend more than one of the district’s colleges. 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).