

CITRUS COMMUNITY COLLEGE DISTRICT

Audit Report

TUITION FEE WAIVERS PROGRAM

Education Code Section 68044, et al; Title 5, *California Code of Regulations* section 54012, et al; and Revised Guidelines and Information, “Exemption from Nonresident Tuition”
Chancellor of the California Community Colleges, May 2002

July 1, 2001, through June 30, 2012



BETTY T. YEE
California State Controller

March 2015



BETTY T. YEE
California State Controller

March 13, 2015

Joanne Montgomery
President, Board of Trustees
Citrus Community College District
1000 Foothill Boulevard
Glendora, CA 91741-1899

Dear Ms. Montgomery:

The State Controller's Office audited the costs claimed by the Citrus Community College District for the legislatively mandated Tuition Fee Waivers Program (Education Code section 68044, et al; Title 5, *California Code of Regulations*, section 54012, et al; and Revised Guidelines and Information, "Exemption from Nonresident Tuition," Chancellor of the California Community Colleges, May 2002) for the period of July 1, 2001, through June 30, 2012.

The district claimed \$1,347,984 for the mandated program. Our audit found that \$796,427 is allowable and \$551,557 is unallowable. The costs are unallowable primarily because the district claimed estimated costs that were not supported by source documentation, claimed ineligible time, misstated indirect costs rates, overstated and understated staff productive hourly rates, and claimed unallowable indirect costs. The State paid the district \$2,743. The State will pay allowable costs claimed that exceed the amount paid, totaling \$793,684, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). 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 Commission'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, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sa

cc: Geraldine Perri, Ed.D., Superintendent/President
Citrus Community College District
Claudette Dain, Vice President
Office of Finance and Administrative Services
Citrus Community College District
Mario Rodriguez, Assistant Vice Chancellor
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Citrus Community College District for the legislatively mandated Tuition Fee Waivers Program (Education Code section 68044, et al; Title 5, *California Code of Regulations*, section 54012, et al; and Revised Guidelines and Information, "Exemption from Nonresident Tuition," Chancellor of the California Community Colleges, May 2002) for the period of July 1, 2001, through June 30, 2012.

The district claimed \$1,347,984 for the mandated program. Our audit found that \$796,427 is allowable and \$551,557 is unallowable. The costs are unallowable primarily because the district claimed estimated costs that were not supported by source documentation, claimed ineligible time, misstated indirect costs rates, overstated and understated staff productive hourly rates, and claimed unallowable indirect costs. The State paid the district \$2,743. The State will pay allowable costs claimed that exceed the amount paid, totaling \$793,684, contingent upon available appropriations.

Background

Education Code section 68044, et al. and Title 5, *California Code of Regulations*, sections 54012, subdivisions (b), (c), (d), 54024, subdivisions (e), (f); 54030, 54032, subdivision (a); 54041, 54045, subdivisions (b), (c); 54045.5, subdivision (b); and 54046, 54060, subdivisions (a), (b), and Revised Guidelines and Information, "Exemption from Nonresident Tuition" Chancellor of California Community Colleges (May 2002) involve determining student residence status and nonresident student tuition fee charges or waivers at community colleges, including students who are members of the armed forces; military dependents; aliens; graduates of Bureau of Indian Affairs schools; public employees holding a valid credential; Native Americans; amateur student athletes at the Olympic Training Center; federal civil service employees and dependents in California due to military mission realignment; nonresident California high school graduates; and dependents of victims of the September 11, 2001 terrorist attacks.

The sections were added and/or amended by:

- Chapter 36, Statutes of 1977;
- Chapter 580, Statutes of 1980;
- Chapter 102, Statutes of 1981;
- Chapter 1070, Statutes of 1982;
- Chapter 753, Statutes of 1988;
- Chapters 424, 900, and 985, Statutes of 1989;
- Chapter 1372, Statutes of 1990;
- Chapter 455, Statutes of 1991;
- Chapter 8, Statutes of 1993;
- Chapter 438, Statutes of 1997;
- Chapter 952, Statutes of 1998;

- Chapters 571 and 949, Statutes of 2000;
- Chapter 814, Statutes of 2001; and
- Chapter 450, Statutes of 2002.

On March 27, 2009, the Commission on State Mandates (Commission) adopted a Statement of Decisions for the Tuition Fee Waivers Program. The Commission found the test claim statutes and executive orders impose a partially reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17541.

The Commission found that the following activities are reimbursable:

- Adopting rules and regulations relating to the method of payment and the method and amount of refund of nonresident tuition.
- Requiring student applicant to supply, and district to weigh, the residence determination factors
- Revising the residence questionnaire based on a sample residence questionnaire provided by the Chancellor's Office (a one-time activity),
- Determining whether the student is financially independent or dependent, in accordance with Education Code section 68044, when a student is seeking reclassification as a resident who was classified as a nonresident in the preceding term.
- Providing nonresident students with notice of nonresident tuition fee charges during the spring term before the fall term, in which the changes will take effect; and considering nonresident tuition fees of public community colleges in other states in determining nonresident tuition fees; and making nonresident tuition fee increases gradual, moderate, and predictable.
- Waiving system-wide fees or tuition of any kind for a surviving dependent of victims of 9/11 terrorist attacks.
- Notifying students of classification decision and establishing procedures for appeals of residence classifications.

The Commission also found that the following are entitled to resident tuition or are exempted from paying nonresident tuition:

- Dependent of member of armed forces;
- Member of armed forces after discharge;
- Dependent of California resident for more than one year;
- Graduate of Bureau of Indian Affairs school;
- Student holding emergency permit or public school credential;
- Native American student;

- Amateur student athlete in training at U.S. Olympic Training Center;
- Federal civil service employee in state due to military mission realignment;
- Nonresident California high school graduate; must complete a questionnaire form prescribed by the Chancellor and furnished by the district of enrollment verifying eligibility; retain indefinitely or copy the original certified affidavit and other materials utilized by a district in meeting the certification requirements; and refund the student's nonresident tuition if the student is determined eligible for the exemption after he or she has paid nonresident tuition; and
- Alien student (alien to supply, and the district to weigh, information on whether the student is precluded from establishing domicile).

The program's parameters and guidelines establish the State Mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on October 30, 2009. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the legislatively mandated Tuition Fee Waivers Program for the period of July 1, 2001, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. 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.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Citrus Community College District claimed \$1,347,994 for costs of the Tuition Fee Waivers Program. Our audit found that \$793,684 is allowable and \$551,557 is unallowable. The State paid the district \$2,743. The State will pay allowable costs claimed that exceed the amount paid, totaling \$796,427, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on February 20, 2015. Claudette Dain, Vice President, Finance and Administrative Services, responded by letter dated March 2, 2015 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Citrus Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

March 13, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 691	\$ 691	\$ —	
Determine residence classifications	29,206	29,206	—	
Exceptions to determination of nonresidence	29,206	337	(28,869)	Findings 2,4
Notify students of decision and appeal procedures	352	352	—	
Total direct costs	59,455	30,586	(28,869)	
Indirect costs	27,194	5,453	(21,741)	Finding 3
Total program costs	<u>\$ 86,649</u>	36,039	<u>\$ (50,610)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 36,039</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 999	\$ 999	\$ —	
Determine residence classifications	25,605	25,605	—	
Exceptions to determination of nonresidence	25,726	387	(25,339)	Findings 2,4
Notify students of decision and appeal procedures	243	243	—	
Total direct costs	52,573	27,234	(25,339)	
Indirect costs	21,933	5,684	(16,249)	Finding 3
Total program costs	<u>\$ 74,506</u>	32,918	<u>\$ (41,588)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 32,918</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 824	\$ 824	\$ —	
Determine residence classifications	35,251	35,251	—	
Exceptions to determination of nonresidence	35,381	408	(34,973)	Findings 2,4
Notify students of decision and appeal procedures	412	412	—	
Total direct costs	71,868	36,895	(34,973)	
Indirect costs	32,721	6,693	(26,028)	Finding 3
Total program costs	<u>\$ 104,589</u>	43,588	<u>\$ (61,001)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 43,588</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 872	\$ 872	\$ —	
Determine residence classifications	41,443	43,637	2,194	Findings 1,4
Exceptions to determination of nonresidence	41,593	527	(41,066)	Findings 2,4
Notify students of decision and appeal procedures	540	540	—	
Total direct costs	84,448	45,576	(38,872)	
Indirect costs	34,268	18,167	(16,101)	Finding 3
Total program costs	<u>\$ 118,716</u>	63,743	<u>\$ (54,973)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 63,743</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 1,000	\$ 1,000	\$ —	
Determine residence classifications	49,929	52,705	2,776	Findings 1,4
Exceptions to determination of nonresidence	50,098	659	(49,439)	Findings 2,4
Notify students of decision and appeal procedures	614	614	—	
Total direct costs	101,641	54,978	(46,663)	
Indirect costs	49,784	23,030	(26,754)	Finding 3
Total program costs	<u>\$ 151,425</u>	78,008	<u>\$ (73,417)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 78,008</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Adopt governing board rules and regulations	\$ 1,052	\$ 1,052	\$ —	
Determine residence classifications	53,931	58,018	4,087	Findings 1,4
Exceptions to determination of nonresidence	54,111	727	(53,384)	Findings 2,4
Notify students of decision and appeal procedures	650	650	—	
Total direct costs	109,744	60,447	(49,297)	
Indirect costs	57,572	25,539	(32,033)	Finding 3
Total program costs	<u>\$ 167,316</u>	85,986	<u>\$ (81,330)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 85,986</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 1,008	\$ 1,008	\$ —	
Determine residence classifications	90,384	97,753	7,369	Findings 1,4
Exceptions to determination of nonresidence	7,584	1,768	(5,816)	Findings 2,4
Notify students of decision and appeal procedures	831	831	—	
Total salaries and benefits	99,807	101,360	1,553	
Indirect costs	47,438	44,274	(3,164)	Finding 3
Total program costs	<u>\$ 147,245</u>	145,634	<u>\$ (1,611)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 145,634</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 1,253	\$ 1,253	\$ —	
Determine residence classifications	23,710	25,426	1,716	Findings 1,4
Exceptions to determination of nonresidence	2,023	1,886	(137)	Findings 2,4
Notify students of decision and appeal procedures	225	225	—	
Total direct costs	27,211	28,790	1,579	
Indirect costs	12,932	11,643	(1,289)	Finding 3
Total direct and indirect costs	40,143	40,433	290	
Less allowable costs that exceed costs claimed ²	—	(290)	(290)	
Total program costs	<u>\$ 40,143</u>	40,143	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 40,143</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 1,850	\$ 1,850	\$ —	
Determine residence classifications	58,423	66,018	7,595	Findings 1,4
Exceptions to determination of nonresidence	52,580	926	(51,654)	Findings 2,4
Total direct costs	112,853	68,794	(44,059)	
Indirect costs	48,211	31,232	(16,979)	Finding 3
Total program costs	<u>\$ 161,064</u>	100,026	<u>\$ (61,038)</u>	
Less amount paid by the State		(2,743)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 97,283</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 1,043	\$ 1,043	\$ —	
Determine residence classifications	61,654	68,401	6,747	Findings 1,4
Exceptions to determination of nonresidence	59,283	1,920	(57,363)	Findings 2,4
Total direct costs	121,980	71,364	(50,616)	
Indirect costs	57,110	30,622	(26,488)	Finding 3
Total program costs	<u>\$ 179,090</u>	101,986	<u>\$ (77,104)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 101,986</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 804	\$ 804	\$ —	
Determine Residence Classifications	40,634	45,404	4,770	Findings 1,4
Exceptions to determination of nonresidence	39,771	1,242	(38,529)	Findings 2,4
Total direct costs	81,209	47,450	(33,759)	
Indirect costs	36,032	20,906	(15,126)	Finding 3
Total program costs	<u>\$ 117,241</u>	68,356	<u>\$ (48,885)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,356</u>		
<u>Summary: July 1, 2001, through June 30, 2012</u>				
Direct costs - salaries and benefits				
Adopt governing board rules and regulations	\$ 11,396	\$ 11,396	\$ —	
Determine residence classifications	510,170	547,424	37,254	
Exceptions to determination of nonresidence	397,356	10,787	(386,569)	
Notify students of decision and appeal procedures	3,867	3,867	—	
Total direct costs	922,789	573,474	(349,315)	
Indirect costs	425,195	223,243	(201,952)	
Total direct and indirect costs	1,347,984	796,717	(551,267)	
Less allowable costs that exceed costs claimed	—	(290)	(290)	
Total program costs	<u>\$ 1,347,984</u>	796,427	<u>\$ (551,557)</u>	
Less amount paid by the State		(2,743)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 793,684</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2008-09.

Findings and Recommendations

**FINDING 1—
Determine residence
classification cost
component**

The district claimed \$510,170 in salaries and benefits for the Determining Residence Classification cost component during the audit period. We found that \$547,424 is allowable and the district understated allowable costs by \$37,524. The costs were understated because the district understated its productive hourly rates for fiscal year (FY) 2004-05 through FY 2011-12 (see Finding 4 for the specific language).

The following table summarizes the understated costs related to determining residence classification by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and Benefits:			
2001-02	\$ 29,206	\$ 29,206	\$ -
2002-03	25,605	25,605	-
2003-04	35,251	35,251	-
2004-05	41,443	43,637	2,194
2005-06	49,929	52,705	2,776
2006-07	53,931	58,018	4,087
2007-08	90,384	97,753	7,369
2008-09	23,710	25,426	1,716
2009-10	58,423	66,018	7,595
2010-11	61,654	68,401	6,747
2011-12	40,634	45,404	4,770
Total	<u>\$ 510,170</u>	<u>\$ 547,424</u>	<u>\$ 37,254</u>

The program’s parameters and guidelines (section IV – Reimbursable Activities – Determining Residence Classification) state that:

For each eligible claimant, the following activities are reimbursable:

- Require student applicant to supply, and district to weigh, the residence determination factors: Require student applicants to supply, and for the district to weigh, the following information to determine the student’s residence classification....
 - Ownership of residential property
 - Registering to vote in California
 - Active membership in service or social clubs.
 - Being the petitioner for divorce in California

Require a student to supply, and for the district to weigh, information regarding whether the student or the parents of a minor student who relinquished California residence after moving from the state has reestablished residence by one full year of physical presence coupled with demonstrated intent to be a California resident.

- Residence classification questionnaires: To revise the residence questionnaire based on a sample residence questionnaire provided by the Chancellor's Office (One-time activity)
- Financial Independence: Determine whether the student is financially independent or dependent, in accordance with Education Code section 68044, when a student is seeking reclassification as a resident who was classified as a nonresident in the preceding term....

For each fiscal year of the audit period, the district claimed salaries and benefits for the reimbursable activities associated with the Determine Residence Classification cost component using time allowances developed from estimated time it took staff to complete the reimbursable activity through the use of annual survey forms. Employees estimated the number of hours that it took per year to conduct the reimbursable activities on certification forms developed by the district's mandated cost consultant. The district did not provide source documentation based on actual data to support the estimated time allowances. In addition, a district representative stated that district staff is not required to keep timesheets tracking time spent performing the mandated activities.

As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff were reasonable. We held discussions with district representatives during the audit to determine the procedures that district staff followed to perform the reimbursable activities associated with this cost component. We also reviewed relevant information included on the district's website and documentation provided by the district relating to the number of residency determinations made each fiscal year.

The district maintains general information on its website on a page titled "Citrus College – Admissions and Records – Residency." The Residency page notes the following:

Residency reclassification must be initiated by the student...Evidence of physical presence and intent to reside in the state of California for at least one year plus one day prior to the semester's start date must be submitted for residency review. For further information, see Residency Information/Reclassification.

The "see Residency Information/Reclassification" wording at the end of the paragraph above provides a link on the district's website to the Petition for Residency Reclassification form that students must submit to be re-classified as a California resident, along with the applicable instructions for completing the form. The information provided to students by the district here comprises six pages—one page of instructions, one page of general information and definitions, and four pages of forms. The second page is titled "General Information and

Definition” regarding residency and residency reclassification. This page notes the following:

Students are automatically classified as a resident or nonresident based on the answers the student provided on the state wide admissions application (CCCApply). State laws and regulations require that students wishing to change that residency status to do so through this reclassification process.

There are actually two forms provided, one for students petitioning for their own residency classification and one for students deriving residency from a parent or guardian. The form instructions state that “the student **must** provide: **Documentation of legal status . . . and Two (2) acceptable proofs to establish** California residency” Below this instruction is a list of 15 forms of documentation that students can provide in order to meet these requirements.

As noted above, we held discussions with district staff about the procedures that they followed to perform the reimbursable activities. We were told that in order for the district to make a determination concerning a student’s residency status, district staff retrieves student information (Full Application) from the California Community Colleges Chancellor’s Office using the student’s identification number. This process involves research of the student’s background. The district staff verifies the information the student provided on the “Petition for Residency Reclassification” form. The district has identified specific types of documentation that is acceptable to satisfy residency requirements. The district form requires students to present the appropriate physical evidence for district staff to review to validate the information regarding students’ physical presence in California, the intent to make California their state of residence, and whether the student is financially independent or dependent. Therefore, the population of students that could submit this form includes only students who were initially classified as nonresidents.

The district provided information regarding the number of residency reclassifications that it processed during each year of the audit period. The information was certified by the district’s Dean of Admissions and Records. We re-verified the accuracy of this information with the district’s Budget Supervisor during the course of the audit.

The following table presents the statistical data provided by the district as to the number of residency determinations that it performed for each year of the audit period:

<u>Fiscal Year</u>	<u>Claimed Multiplier</u>	<u>Allowable Multiplier</u>	<u>Adjusted Multiplier</u>
2001-02	12,610	12,610	-
2002-03	10,141	10,141	-
2003-04	13,102	13,102	-
2004-05	13,236	13,236	-
2005-06	14,169	14,169	-
2006-07	14,383	14,383	-
2007-08	10,447	10,447	-
2008-09	844	844	-
2009-10	246	246	-
2010-11	33,089	33,089	-
2011-12	30,158	30,158	-
	<u>152,425</u>	<u>152,425</u>	<u>-</u>

We inquired about the large variance in numbers reported for FY 2008-09 and FY 2009-10 and were advised by district management that the data reported is correct.

The district claimed, and we accepted, that staff spent 10,293 hours processing residency classification information submitted by 152,425 students during the audit period, as noted in the table above. This means that district staff in the Admissions and Records Office spent an average of 4.05 minutes per student processing the Petition for Residency Reclassification forms during the audit period. Based on our discussions with district representatives and information contained on the district's website, we found that the average time claimed by district staff to perform the reimbursable activities appears reasonable.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

The district agrees this allowable cost is reasonable.

SCO's Comments

The district agrees with the audit adjustment.

**FINDING 2—
Exceptions to
Determination of
Non-residence cost
component –
unallowable salaries
and benefits**

The district claimed \$397,356 in salaries and benefits for the Exceptions to Determination of Nonresidence cost component during the audit period. We found that \$10,787 is allowable and \$386,569 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities.

The following table summarizes the overstated ongoing costs related to exceptions to determination of non-residence by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and Benefits:			
2001-02	\$ 29,206	\$ 337	\$ (28,869)
2002-03	25,726	387	(25,339)
2003-04	35,381	408	(34,973)
2004-05	41,593	527	(41,066)
2005-06	50,098	659	(49,439)
2006-07	54,111	727	(53,384)
2007-08	7,584	1,768	(5,816)
2008-09	2,023	1,886	(137)
2009-10	52,580	926	(51,654)
2010-11	59,283	1,920	(57,363)
2011-12	39,771	1,242	(38,529)
Total	<u>\$ 397,356</u>	<u>\$ 10,787</u>	<u>\$ (386,569)</u>

The parameters and guidelines (section IV-Reimbursable Activities – Exceptions to Determination of Nonresidence) state that:

The following are entitled to resident tuition or are exempted from paying nonresident tuition:

- Dependent of member of armed forces: Classify as residents for the purpose of determining the amount of tuition and fees those dependents (defined as a natural or adopted child, stepchild, or spouse who is a dependent of a member of the armed forces) of military personnel who retire from active duty after the residence determination date until the student dependent has resided in the state the minimum time necessary to become a resident. ...”

Require applicants claiming residence status pursuant to section 68074 of the Education Code (dependent member of the armed forces) to supply, and for the district to weigh, the following documentation in determining the applicant’s residence:

- A statement from the military person’s commanding officer or personnel officer that: (1) The military person’s duty station is in California on active duty as of the residence determination date; or (2) that the military person is outside of California on active duty after having been transferred immediately and directly from a California duty station after the residence determination date; (3) that the military person has, after the residence determination date, retired as an active member of the armed forces of the United States.

- A statement that the student who qualifies for resident classification as a natural or adopted child or stepchild is a dependent of the military person for an exemption on federal taxes.
- Member of the armed forces after discharge: Classify as a resident a student who was a member of the armed forces of the United States stationed in California on active duty for more than one year immediately prior to being discharged from the armed forces, for the length of time he or she lives in California after being discharged up to the minimum time necessary to become a resident
- Dependent of California resident for more than one year: Classify as a resident a student who (a) has not been an adult resident of California for more than one year and (b) is either the dependent child of a California resident who has had residence in California for more than one year prior to the residence determination date, or has a parent who has both contributed court – ordered support for the student on a continuous basis and has been a California resident for a minimum of one year. This exception shall continue until the student has resided in the state the minimum time necessary to become a resident, so long as continuous attendance is maintained at a community college
- Graduate of Bureau of Indian Affairs School: Classify a student as a resident if he or she has graduated from any school located in California that is operated by the United States Bureau of Indian Affairs, so long as continuous attendance is maintained by the student at a community college
- Student holding emergency permit or public school credential: Classify as a resident a student who holds a valid emergency permit authorizing service in the public schools of this state, who is employed by a school district full-time position requiring certification qualifications for the academic year in which the student enrolls at an institution in courses necessary to fulfill teacher credential requirements. This classification is only for the purposes of determining the amount of tuition and fees for no more than one year
- For Students claiming residency status pursuant to section 68078 of the Education Code, require the student to supply, and for the district to weigh, the following:
 - A statement from the employer showing employment by a public school in a full-time position requiring certification qualifications for the college year in which the student enrolls This section is a state-mandated new program or higher level of service for students claiming residence under subdivision (a) of section 68078, as well as subdivision (b) (student holding a valid emergency permit, as specified).
 - Any teaching credential (except a provisional credential). Require the student to show he or she will enroll in courses necessary to obtain another type of credential authorizing service in the public schools, or holds a credential issued by the Board of Governors and is enrolled in courses necessary to fulfill credential requirements.
- Native American student: Classify as a resident a Native American student who attends a school administered by the Bureau of Indian Affairs located within the community college district.

- Amateur student athlete in training at U.S. Olympic Training Center: Classify as a resident for tuition purposes any amateur student athlete (as defined in Ed. Code, § 68083, subd. (b)) in training at the United States Olympic Training Center in Chula Vista, until he or she has resided in the state the minimum time necessary to become a resident
- Federal civil service employee in state due to military mission realignment: Classify as a state resident a federal civil service employee and his or her natural or adopted dependent children if the parent has moved to this state as a result of a military mission realignment action that involves the relocation of at least 100 employees, until the student is entitled to be classified as a resident pursuant to Section 68017, so long as the student continuously attends an institution of public higher education
- Nonresident California high school graduates: Exempt a student (other than a nonimmigrant alien within the meaning of paragraph (15) of subsection (a) of Section 1101 of title 8 of the United States Code) from paying nonresident tuition if he or she meets the following criteria: (1) high school attendance in California for three or more years; (2) graduation from a California high school or attainment of the equivalent thereof; (3) registers for or is enrolled in a course offered by any college in the district for any term commencing on or after January 1, 2002; (4) in the case of a person without lawful immigration status, the filing of an affidavit with the institution of higher education stating that the student has filed an application to legalize his or her immigration status, or will file an application as soon as he or she is eligible to do so (activities are reimbursable on or after January 1, 2002).
- Completion of questionnaire form prescribed by the Chancellor and furnished by the district of enrollment verifying eligibility for this nonresident tuition exemption.... (This activity is reimbursable on or after June 21, 2002)

For these students:

- Retain indefinitely, as Class 1 permanent records, the original certified affidavit and other materials utilized by a district in meeting the certification requirements; or, copying or reproducing by photograph, microphotograph or reproduced on film or electronically the original certified affidavit and other materials utilized by a district in meeting the certification requirements (Chancellor of the California Colleges, "Revised Guidelines and Information on AB 540 Exemption From Nonresident Tuition" May 2002,4, par. 20).
- Refund the student's nonresident tuition if the student is determined eligible for the exemption after he or she has paid nonresident tuition . . .
- Discard and replace old questionnaire forms with the newly prescribed Chancellor's form in printed materials for summer or fall 2002, unless the district's form is part of a major preprinted document such as a Schedule of Classes. This is a one-time activity . . . (These activities are reimbursable on or after May 1, 2002.)
- Alien students: Require a student alien to supply, and for the district to weigh, information on whether the student is precluded from establishing domicile. An alien is precluded from establishing domicile in the United States if the alien: (1) entered the United

States illegally; (2) entered the United States under a visa requiring that the alien have a residence outside the United States; or (3) entered the United States under a visa that permits entry solely for some temporary purpose. And for the community college district to determine, for an alien who is precluded from establishing domicile in the United States pursuant to subdivision (b) of section 54045 of the title 5 regulations, whether that alien has (1) taken appropriate steps to obtain a change of status with the Immigration and Naturalization Service to a classification which does not preclude establishing domicile, and (2) met the residence requirements of sections 54020-54024 of the title 5 regulations related to physical presence and the intent to make California home for other than a temporary purpose. . . .

The parameters and guidelines (section IV–Reimbursable Activities) state:

To be eligible for mandated cost reimbursement, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records, time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, “I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct,” and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

Salaries and Benefits

For each fiscal year of the audit period, the district claimed salaries and benefits for the reimbursable activities associated with the Exceptions to Determination of Non-residence cost component related to the specific activity of “Retaining original certified affidavit used in meeting certification requirements” that is part of the reimbursable activities listed in the parameters and guidelines of “Nonresident California high school graduates” and “Completion of a questionnaire form provided by the Chancellor and furnished by the district of enrollment verifying eligibility for this nonresident tuition exemption.” The district used time allowances developed from the estimated time it took staff to complete the activities through the use of employees’ survey forms. Employees estimated the number of hours that it took per year for them to perform the reimbursable activities on certification forms developed by the district’s mandated-cost consultant. The district did not provide source documentation based on actual data to support the estimated time allowances. In addition, a district representative stated that district staff is

not required to keep timesheets tracking time spent performing the mandated activities.

As the mandated activities took place at the district during the audit period, we assessed whether or not the time increments cited by district staff were reasonable. We held discussions with various district representatives during the audit to determine the procedures that district staff followed to perform the reimbursable activities associated with this cost component. We also reviewed relevant information included on the district's website and reviewed documentation provided by the district relating to the number of students that were processed during the audit period for exceptions to determination of non-residence. We also observed district staff performing the reimbursable activity that the district claimed.

The district maintains general information on its website on a page titled "Citrus College – Student Services – AB540" related to undocumented students who may be eligible for an exemption from the nonresident tuition fee. This is in accordance with Statutes of 2001, Chapter 814 (AB 540). The district's website states:

In accordance with AB 540, students other than nonimmigrant persons with valid visas who attended a California high school for a minimum of three years and graduated from a California high school or attained the equivalent, may be eligible for an exemption from the nonresident tuition fee...To qualify for the AB 540 waiver, students must fill out the AB 540 California Nonresident Tuition Exemption Request Form and provide a copy of their official transcripts to the Admissions and Records Office.

The "AB 540 California Nonresident Tuition Exemption Request form" wording in the paragraph above provides a link on the district's website to the California Nonresident Tuition Exemption form that students must submit to be exempt from non-resident tuition fees along with the applicable instructions for completing the form. The information provided to students by the district here comprises two pages, one page of instructions and one page of forms. District staff processed the questionnaire verifying students' eligibility for nonresident exemption of enrollment fees by ensuring that the form was properly prepared and that students provided the required transcripts from the California high school(s) that they attended. The time required by staff to process this form was already included as part of the package of forms claimed under the Determining Residence Classification cost component, as described in Finding 1.

As noted above, we held discussions with district staff about the procedures that they followed to perform the reimbursable activities. For this cost component, the district claimed costs for the activity of retaining the original certified affidavit used in meeting certification requirements. We observed the following procedures:

- Scanning student documents into the district's Banner software system
- Verifying information for accuracy

- Saving the information in a file under the student's identification number
- Filing paper applications with supporting documents
- Placing filed documents into storage (staff stated that applications are kept for three years in storage)

For the first three procedures, we observed staff logging into the district's computer system and scanning two full application reports and two residence packages into student files and looking over the information for accuracy; this task averaged 55 seconds each (0.92 minutes). We did not observe the procedures of filing paper documents and taking them to storage in boxes. However, we held discussions with district management about these procedures; they stated that both take about 2 minutes and 30 seconds (2.50 minutes) to perform, which appears reasonable. Based on the total time required to perform the above procedures we determined an average time increment of 3.42 minutes per certified affidavit to perform the reimbursable activities.

The district provided information regarding the number of California Nonresident Tuition Exemption forms that it processed during each year of the audit period. The information was certified by the district's Dean of Admissions and Records. We re-verified the accuracy of this information with the district's Budget Supervisor during the course of the audit.

The following table summarizes the claimed, allowable, and adjustment amounts for the statistical data provided by the district as to the number of "nonresident" exceptions: students classified as residents to determine tuition fees that it performed for each year of the audit period:

Fiscal Year	Number of Nonresident Exceptions		
	Claimed	Allowable	Adjusted
2001-02	211	211	-
2002-03	224	224	-
2003-04	221	221	-
2004-05	233	233	-
2005-06	259	259	-
2006-07	263	263	-
2007-08	276	276	-
2008-09	257	257	-
2009-10	246	246	-
2010-11	512	512	-
2011-12	330	330	-
	<u>3,032</u>	<u>3,032</u>	<u>-</u>

The district claimed that staff spent 9,141 hours retaining the original certified affidavit in meeting certification requirements resulting from Nonresident Tuition Exemption Request forms submitted by 3,032 students during the audit period, as noted in the table above. This means that the district claimed that staff spent an average of 3 hours and 1 minute per student performing these record-keeping activities. However, based on our discussions with district representatives concerning the

procedures that they followed, our review of information contained on the district's website, and our observation of the reimbursable activity being performed, the time claimed to perform the reimbursable activities did not appear to be reasonable.

Calculation of Hours Adjustment

For the reimbursable activity, we multiplied the allowable minutes, based on our observations of the reimbursable activities being performed by the number of nonresident tuition exemptions (multiplier) to determine the number of hours spent by the district performing the reimbursable activities during the audit period. We determined that 175 hours are allowable, and 8,988 hours are unallowable. The unallowable hours resulted from the district overstating the time it took staff to perform the reimbursable activities.

The following table summarizes the claimed, allowable, and adjusted hours for the audit period:

Fiscal Year	Claimed Hours	Allowable Hours	Adjusted Hours
2001-02	1,044	12	(1,032)
2002-03	848	13	(835)
2003-04	1,092	13	(1,079)
2004-05	1,104	13	(1,091)
2005-06	1,184	15	(1,169)
2006-07	1,200	15	(1,185)
2007-08	73	16	(57)
2008-09	18	16	(2)
2009-10	900	14	(886)
2010-11	1,000	29	(971)
2011-12	700	19	(681)
	<u>9,163</u>	<u>175</u>	<u>(8,988)</u>

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

While the District claimed a total of 9,163 hours for this component for the audit period, the District did not base these hours on a time survey or an average time per exemption processed. These hours were reported in the same manner as the documentation provided for Finding 1, that is, employees estimated the number of annual hours to implement the mandate activities on certification forms developed by the District's mandated cost consultant. The average time per student of 3 hours and one minute derived by the auditor is based on workload statistics not

used for the annual claims and these statistics appear to be related only to the AB 540 applications and not the complete workload for this part of the mandate.

The audit determined that 175 hours are allowable, and 8,988 are unallowable. The \$10,787 allowed, and the statistics this amount utilizes, relates to the AB 540 transactions, and not the entire workload for this component. The AB 540 certification process is about two to four percent of the staff work claimed for this mandate component. The auditor observed staff logging into the computer and scanning two full application reports and two residence packages into student files and reviewing the information for accuracy. Based on this observation of two transactions and discussion with staff, the auditor determined an average time increment of 3.42 minutes per certified affidavit to perform the reimbursable AB 540 activities. This average was applied to District provided statistics of the number of nonresident tuition exemptions processed for each fiscal year of the audit period, ranging from about 200 to 500 per year.

This finding results from several inexplicable auditor choices. The same certified annual employee declarations accepted for Finding 1 were not accepted for this finding. The staff time reported for both these findings was not based on workload statistics or cost allowances, it was what the Controller characterizes as estimates. These estimates were not a problem for Finding 1, but are the stated basis for disallowing the costs in this finding. The workload statistics were accepted by the auditor upon "confirmation" by the District staff, yet the staff time declarations, which have evidentiary standing greater than verbal or written "confirmations," were not accepted. Finally, the observation of just two AS 540 transactions is insufficient for purposes of developing an average time and is not representative of the entire scope of this component.

The District and audit report acknowledge that there was some confusion in matching the activities and staff time to the relevant mandate component. For example, the audit report states that time required for "processing the questionnaire verifying eligibility for nonresident exemption is a document that was already included in activities claimed under the Determining Residence Classification cost component," that is, Finding 1. Given this evident confusion among staff about the relevant coding of the activities on the annual forms, that the District did not use average times to claim costs and the average times used by the auditor were applied to the wrong statistics, it would seem more appropriate that the time reported for this finding should be merged with Finding 1, and not just disallowed. The disallowed \$386,569 here in Finding 2 divided by the 152,425 transactions used by the auditor in Finding 1 would add another \$2.54 per transaction, and the total cost for both findings would still be reasonable.

SCO's Comments

The finding and recommendation remain unchanged.

The district's response states that the costs claimed were for "processing exceptions to determinations of nonresidence." We disagree. The district's claims include costs incurred for 9,141 hours spent by district staff for the activity of "retaining original certified affidavit used in meeting certification requirements" and 22 hours for "questionnaire of

enrollment verifying eligibility for nonresident tuition exemption.” The district’s annual certified declarations identified the specific activities that district staff were estimating time to complete. For the 9,141 hours, the activity is described as “Retaining the original certified affidavit (e.g., AB540 students) and other materials used by the district to make the determination.” For the 22 hours, the activity is described as “Completing and submitting to the Chancellor on forms prescribed by the Chancellor reports of district enrollment and student eligibility for nonresident tuition exemption.”

Neither the district’s claims nor the documentation provided for its claims states that time was claimed under the Exceptions to Determination of Nonresidence cost component for processing students’ exception requests. Instead, the costs claimed to perform this activity were included under the Determining Residence Classification cost component. The district’s annual certified declarations supported that the time claimed for Determining Residence Classification cost component was for:

Receiving, reviewing, and verifying residence and financial independence questionnaires and other evidence supplied by students to determine residency status or *eligibility for an exemption from the requirement to pay nonresident tuition* [emphasis added]. Granting or limiting residency classification for tuition purposes. Notifying each student of his or her residency classification.

As noted in the audit report, we held discussions with district staff members to determine the procedures they followed to perform the reimbursable activities for this mandated program. As also noted in the audit report, the time claimed for processing students’ exceptions to the determination of nonresidence forms was already included under time claimed for residency determinations. We confirmed during the audit that this form is included in the package of forms prepared by students and submitted to district staff for processing under the Determining Residence Classification cost component.

The district also states in its response that “the observation of just two AB 540 transactions is insufficient for purposes of developing an average time and is not representative of the entire scope of this component.” Our observations provided the only actual cost documentation used as a basis for allowable costs for the district’s claims. In addition, district staff confirmed that the time we observed was reasonable. The district has not provided additional evidence based on actual cost documentation supporting a different conclusion from ours.

The district asserts in its response that “the average time per student of 3 hours and one minute derived by the auditor is based on workload statistics not used for the annual claims and these statistics appear to be related only to the AB 540 applications and not the complete workload for this part of the mandate.” However, while there are 11 possible populations of students that are claimable under the Exceptions to Determination of Nonresidence cost component, the district claimed only costs related to AB 540 applications. The relevant statistical data as to the number of residency determinations made each fiscal year and the

number of nonresident tuition exemptions determinations made each year was documented on fill-in forms titled “District Statistics Report” provided by the district’s mandated cost consultant. The completed forms included relevant data for the entire audit period, were signed by the district’s Dean of Admissions and Records, and were re-certified by the district’s Budget Supervisor. As part of the statistics related to the number of nonresident tuition exemptions determinations made each year, we used this data and applied it to the time we observed to perform the reimbursable activities in order to determine allowable costs.

The district also indicated that “the time reported for this finding should be merged with Finding 1, and not just disallowed.” We disagree, as the issues in the two findings are not related.

**FINDING 3—
Unallowable indirect
costs**

The district claimed indirect costs during the audit period totaling \$425,195 for the tuition fee waivers activities. We found that \$223,243 is allowable and \$201,952 is unallowable. The costs are unallowable primarily because of the adjustments to salaries and benefits noted in Findings 1 and 2. In addition, costs are unallowable because of indirect cost rate calculation errors made in each year of the audit period.

Indirect Cost Rates Claimed

The district claimed indirect costs using the SCO’s FAM-29C methodology. However, for each year of the audit period, the district used information contained in the California Community Colleges Annual Financial Budget Report Expenditures by Activity Report (CCFS-311) from the prior fiscal year to compute its indirect cost rates. Also, the district did not complete the FAM-29C in accordance with SCO’s claiming instructions. For all years of the audit period, we noted errors in the indirect cost rates that the district claimed.

We summarized the general errors related to indirect costs that we found in the district’s claims for FY 1998-99 through FY 2011-12:

- For every year of the audit period except FY 2006-07, the district used expenditure amounts obtained from the prior year’s California Community Colleges Annual Financial Budget Report – Expenditures by Activity Report (CCFS-311) when calculating its indirect cost rates.
- For FY 2004-05 and FY 2005-06, the district did not include depreciation or use allowance amounts for building and equipment in its indirect cost pool used for calculating indirect cost rates. This information originates within the notes to the district’s audited financial statements. For FY 2007-08 through FY 2011-12, the district used depreciation and use allowance amounts from the prior year audited financial statements instead of current year amounts to compute its indirect cost rates.
- For FY 2007-08 and FY 2008-09, the district calculated its indirect cost rates by using total direct costs as a base instead of salaries and benefits. The SCO’s claiming instructions for those fiscal years requires the use of salaries and benefits as a base.

The district made the following specific errors in its indirect cost rate calculations:

- FY 1998-99 through FY 2003-04
 - Misclassified costs as indirect within the accounts groups of Instruction, Instructional Administration and Instructional Governance, Instructional Support Services, Admission and Records, Counseling and Guidance, Other Student Services, Community Relations, Staff Development, Staff Diversity, Community Services and Economic Development, and Ancillary Services. All costs within these account groups should be classified as direct costs.
 - Misclassified 100% of the costs within account group Operation and Maintenance of Plant as indirect. The SCO's claiming instructions allow claimants the option of using 7% of the expenses reported within this account group as indirect costs or a higher expense percentage if the district can support the higher amount. The district did not provide any support for using a percentage higher than 7%.
 - Misclassified costs within the account group of Physical Property Acquisition as indirect in its indirect cost rate calculations for FY 1998-99, FY 2000-01, and FY 2001-02. Costs within this account group are unallowable for the purposes of calculating a FAM-29C indirect cost rate.
- FY 2004-05 through FY 2007-08
 - Misclassified costs as indirect within the accounts groups of Instruction, Instructional Administration and Instructional Governance, Instructional Support Services, Admission and Records, Counseling and Guidance, Other Student Services, Community Relations, Community Services and Economic Development, and Ancillary Services. All costs within these account groups should be classified as direct costs.
- FY 2008-09 through FY 2011-12
 - Misclassified costs within the account of Community Relations as indirect. Costs within this account should be classified as direct costs.

Recalculated Indirect Cost Rates

We recalculated the district's indirect cost rates for each fiscal year of the audit period using the SCO's FAM – 29C methodology. We used the district financial information contained in the California Community Colleges Annual Financial Budget Report Expenditures by Activity Report (CCFS-311). Our calculations show that the district overstated its indirect cost rates for FY 2001-02 through FY2011-12.

The following table summarizes the adjustment to misstated rates and unallowable salaries and benefits:

Fiscal Year	Claimed Indirect Cost Rates	Allowable Indirect Cost Rates	Claimed Indirect Costs	Allowable Indirect Costs	Audit Adjustment	Indirect Cost Rate Differences	Total Direct Costs Allowable	Adjustment for Rate Differences	Adjustment for Unallowable Costs
	(a)	(b)	(c)	(d)	(e)= (d)-(c)	(f)= (b)-(a)	(g)	(h)= (f)*(g)	(i)= (e)-(h)
2001-02	45.74%	17.83%	27,194	5,453	(21,741)	-27.91%	30,586	(8,537)	(13,204)
2002-03	41.72%	20.87%	21,933	5,684	(16,249)	-20.85%	27,234	(5,678)	(10,571)
2003-04	45.53%	18.14%	32,721	6,693	(26,028)	-27.39%	36,895	(10,106)	(15,922)
2004-05	40.58%	39.86%	34,268	18,167	(16,101)	-0.72%	45,576	(328)	(15,773)
2005-06	48.98%	41.89%	49,784	23,030	(26,754)	-7.09%	54,978	(3,898)	(22,856)
2006-07	52.46%	42.25%	57,572	25,539	(32,033)	-10.21%	60,447	(6,172)	(25,861)
2007-08	47.53%	43.68%	47,438	44,274	(3,164)	-3.85%	101,360	(3,902)	738
2008-09	47.53%	40.44%	12,932	11,643	(1,289)	-7.09%	28,790	(2,041)	752
2009-10	42.72%	45.40%	48,211	31,232	(16,979)	2.68%	68,794	1,844	(18,823)
2010-11	46.82%	42.91%	57,110	30,622	(26,488)	-3.91%	71,364	(2,790)	(23,698)
2011-12	44.37%	44.06%	36,032	20,906	(15,126)	-0.31%	47,450	(147)	(14,979)
			<u>\$ 425,195</u>	<u>\$ 223,243</u>	<u>\$ (201,952)</u>		<u>\$ 573,474</u>	<u>\$ (41,755)</u>	<u>\$ (160,197)</u>

As noted above, the adjustments to the indirect costs total \$201,952; of this amount \$41,755 relates to the misstated indirect costs rates, and \$160,197 relates to the unallowable salaries and benefits.

The parameters and guidelines (section V.B.–Claim Preparation and Submission–Indirect Cost Rates) state that:

Indirect costs are costs that have been incurred for common or joint purposes. These costs benefit more than cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs includes: (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs, and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

Community colleges have the option of using (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, “Cost Principles of Educational Institutions”; (2) the rate calculated on State Controller’s Form FAM-29C; or (3) a 7 % indirect cost rate.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

There are several sources of the differences:

CCSF-311 Choice: Both the District and the auditor calculated the indirect cost rates using the Controller's FAM-29C methodology utilizing data from the California Community College Annual Financial Budget Report Expenditures by Activity Report (CCFS-311) submitted by the District to the Chancellor each year. However, the District used the prior year CCFS-311 and the auditor used the current audit year report. The District utilized prior year CCSF-311 reports because the current (annual claim) year approved CCSF-311 report and CPA audited financial statement depreciation expense are not always available when the annual claims are prepared. This is a source of minor differences from year-to-year that becomes insignificant when applied as a consistent method.

Depreciation Expense: The large differences prior to FY 2004-05 are the result of the District including capital costs from the CCSF-311 and the Controller excluding capital costs from the calculation. The audit excluded the capital costs every year until FY 2004-05 when CPA depreciation expense was included by a change in Controller policy. The Controller has not stated a legal or factual reason to previously exclude or now include capital or depreciation costs, and this is a statewide audit appeal issue. Capital costs and depreciation costs will essentially trend to the same amount over a period of years.

Direct Costs: The other minor differences between the claimed rates and audited rates derive from the choice of how some of the costs are categorized as either direct or indirect for purposes of the calculation. These minor differences are within the realm of a reasonable interpretation of the nature (either direct or indirect) of the costs reported for each CCFS-311 account and the audit findings have not indicated otherwise. The audit report does not state that the District's choices are unreasonable, just that they aren't exactly the same as the Controller's choices using the same method.

There are no regulations or pertinent generally accepted industry methods for the calculation of the indirect cost rate, so it is a matter of professional judgment. The Controller's claiming instructions are unenforceable because they have not been adopted as regulations under the Administrative Procedure Act. The burden of proof is on the Controller to prove that the product of the District's calculation is unreasonable, not to recalculate the rate according to unenforceable policy preferences. However, this is a statewide audit issue included in many other incorrect reduction claims already filed that will have to be resolved by decision of the Commission on State Mandates.

SCO's Comments

The finding and recommendation remain unchanged.

Section V.B of the parameters and guidelines (Claim Preparation – Indirect Cost Rates) states that community colleges have the option of claiming indirect costs using one of three options: a federally approved rate based on OMB Circular A-21, a rate using SCO's FAM-29C methodology, or a flat 7% indirect cost rate. The district chose the option of using the FAM-29C methodology for the entire audit period by using

the FAM-29C forms to document its indirect cost rate calculations. However, the district did not follow the SCO's claiming instructions. We recalculated indirect costs under the FAM-29C methodology using the applicable SCO's claiming instructions. The SCO's claiming instructions allows depreciation under the FAM-29C methodology commencing in FY 2004-05.

The district indicates that the "claiming instructions are unenforceable because they have not been adopted as regulations under the Administrative Procedures Act." Title 2, CCR, Section 1186, allows districts to request that the Commission review the SCO's claiming instructions. Section 1186, subdivisions (e) through (h), provides districts an opportunity for public comment during the review process. Neither this district nor any other district requested that the Commission review the SCO's claiming instructions (i.e., the district did not exercise its right for public comment). The district may not now request a review of the claiming instructions applicable to the audit period. Title 2, CCR, section 1186, subdivision (j)(2), states, "A request for review filed after the initial claiming deadline must be submitted on or before January 15 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year."

The district states that "The District utilized prior year CCSF-311 reports because the current (annual claim) year CCSF-311 report and CPA audited financial statement depreciation expense are not always available when the annual claims are prepared." We disagree. For every year of the audit period except FY 2005-06, the district used expenditure amounts obtained from the prior year's California Community Colleges Annual Financial Budget Report – Expenditures by Activity Report (CCFS-311) when calculating its indirect cost rates, as noted in the audit report. Initial claims for this mandated program covering FY 2001-02 through FY 2008-09 were due to the SCO on May 10, 2010. The annual claim for FY 2009-10 was due to the SCO on February 15, 2011 and claims filed for FY 2010-11 and beyond were due to the SCO by February 15 of the following calendar year. Title 5, CCR, section 58305, subdivision (d), states "on or before the 10th day of October, each district shall submit a copy of its adopted annual financial and budget report to the Chancellor." Based on this requirement, the CFS-311 financial report information was available at the time that the claims were due to the SCO to prepare indirect cost rates using financial data relevant to the proper fiscal year.

We used audited financial statements provided by the district as the source for annual depreciation amounts beginning in FY 2004-05. Audited financial statements are based on financial statement data provided by the district to its outside auditors relative to June 30 of each fiscal year.

**FINDING 4—
Understated
productive hourly
rates**

For the audit period, the district calculated productive hourly rates for the district employees involved in tuition fee waivers activities. However, based on salary and benefit information provided by the district, we found that the district understated the productive hourly rates in its claims for FY 2004-05 through FY 2011-12. The rates were understated because the district did not use the correct employee benefit percentages in its calculations.

To calculate productive hourly rates for these years, the district used a standard 21% employee benefit rate instead of the actual employee benefit rates. However, the use of a standard 21% employee benefit rate for claiming mandated costs is applicable only to the Collective Bargaining mandated program. The district did not provide actual salary data for FY 2001-02 and FY 2002-03. While the district provided actual salary data for FY 2003-04, it did not provide CCFS-311 reports for that year. Therefore, we were unable to determine the actual benefit rates for FY 2001-02 through FY 2003-04 to update the productive hourly rates as applicable.

During the audit, the district provided the actual salary data for staff involved with the mandated activities for FY 2003-04 through FY 2011-12. In order to determine the applicable benefit rates, we obtained the Governmental Fund Group – Revenues, Expenditures, and Fund Balance Data Reports from the California Community Colleges Chancellor's Office for all fiscal years except FY 2001-02 through FY 2003-04. This report is part of the district's Annual Financial and Budget Report (CCFS-311). We used salaries and benefits data from these reports to calculate the district-wide benefit rates. When recalculating the productive hourly rates for district employees, we used their productive hours information provided by the district. Based on our analysis, we found that the district understated the employee benefit amounts that were added to employee salaries when calculating staff productive hourly rates.

The following table summarizes the claimed benefits rates, recalculated rates, and audit adjustments:

Fiscal Year	Benefit Rate Adjustments		
	Claimed Rate	Allowable Rate	Difference
2001-02	21.00%	21.00%	0.00%
2002-03	21.00%	21.00%	0.00%
2003-04	21.00%	21.00%	0.00%
2004-05	21.00%	29.70%	8.70%
2005-06	21.00%	28.34%	7.34%
2006-07	21.00%	30.17%	9.17%
2007-08	21.00%	30.87%	9.87%
2008-09	21.00%	29.75%	8.75%
2009-10	21.00%	32.77%	11.77%
2010-11	21.00%	31.74%	10.74%
2011-12	21.00%	35.20%	14.20%

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District’s Response

The District calculated productive hourly rates for the salary and benefits for the employees claimed using a standard 21% employee benefit rate, a statewide standard developed for the Collective Bargaining mandate program in 1979, instead of the actual employee benefit rates. During the audit the District provided the actual salary data for FY 2003-04 through FY 2011-12. Using information still available from Chancellor's Office for FY 2004-05 and thereafter, the auditor calculated the district benefit rates. These rates were higher than the standard 21% claimed. The District concurs with this finding.

SCO’s Comments

The district agrees with the audit finding.

OTHER ISSUE— Documentation Standards

The district’s response included a general statement regarding the documentation of staff time to implement the mandated program.

District’s Response

Please see the Attachment for the district’s general statement regarding documentation standards.

SCO’s Comments

The district’s comments focus on documentation provided for claims filed under the initial filing period of FY 2001-02 through FY 2008-09. The audit period includes district filed annual claims for the mandated program for an additional three fiscal years beyond the initial filing period. However, *none* of the claims filed by the district for any of the 11 years in the audit period include actual cost documentation that is in compliance with the documentation requirements stated in the parameters and guidelines.

The district states:

This District utilized forms prepared by its consultant to document staff time spent on the mandates. These forms are in the nature of certified declarations that are within the scope of the parameters and guidelines documentation standards. Where these forms or other documentation were apparently sufficient, the auditor made qualitative judgments regarding the scope of activities as to whether they were related to the mandate program. Where it was not, the auditor disallowed the claimed costs for insufficient documentation.

We disagree.

The district's good faith method of estimating costs incurred using employee declarations is not an acceptable method for documenting actual mandated costs incurred because it does not comply with the requirements of the mandated program. Throughout the audit period, we gained an understanding of the different processes relevant to reimbursable activities and expanded audit procedures as necessary in determining the allowable portion of claimed costs.

**OTHER ISSUE—
Public Records
Request**

The district's response included a public records request.

District's Response

The District requests that the Controller provide the District any and all written instructions, memoranda, or other writings in effect and applicable to the audit procedures and findings for audits of this mandate program. Government Code Section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in possession of the agency and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District, the agency must state the estimated date and time when the records will be made available.

SCO's Comments

The SCO will respond to the district's request separately from this report.

**Attachment—
District's Response to
Draft Audit Report**



CITRUS COMMUNITY
COLLEGE DISTRICT
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February 27, 2015

Mr. Jim L. Spano, Chief
Mandated Costs Audits Bureau
Division of Audits
California State Controller
P. O. Box 942850
Sacramento, CA 94250-5874

Re: Tuition Fee Waivers
FY 2001-02 through FY 2011-12
Citrus Community College District

Dear Mr. Spano:

This letter is the response of the Citrus Community College District to the draft audit report for the above-referenced program and fiscal years transmitted by the letter dated February 20, 2015, from Jeffrey V. Brownfield, Chief, Division of Audits, and received by e-mail on February 20, 2015. The District intends to file an audit appeal since many of the adjustments are based on Controller audit policies, the propriety of which can only be determined by appeal to the Commission on State Mandates.

DOCUMENTATION STANDARDS

Before responding to the specific findings, a general statement regarding staff labor time documentation is needed. All of the direct costs claimed are the staff time spent to implement the mandated activities. Almost half of this time is disallowed by the audit. The draft audit report essentially asserts that the disallowed source documents are inappropriately or insufficiently documented estimates. The report cites the parameters and guidelines as the legal standard for source documentation:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

It is important to recall that the parameters and guidelines were adopted October 30, 2009, and the first claiming instructions issued thereafter, which is eight years after the first fiscal year in the audit period. Thus, claimants were not on notice of the activities approved for reimbursement that should be documented until the eighth year of the eligibility period. While some historic staff time can be reconstructed from calendars and desk diaries, other staff time cannot and must be reported as a good-faith estimate where the desired information is not, and would never have been, maintained in the regular course of business. The District agrees with the audit report recommendation that claimants maintain records that document actual time spent on mandate-related activities, but it would be a more realistic standard only for the fiscal year annual claims filed after the initial fiscal year claims.

None of the governmental entities that establish the accounting standards and reporting requirements that community college districts are subject to publish any standards or reporting requirements for state mandate cost accounting. Nor does the Controller, whose particular responsibility has been the payment and audit of the mandate annual claims for more than thirty years, publish cost accounting forms for use by claimants to record staff time spent on mandates. In the absence of governmental standards, districts must retroactively rely upon documentation produced in the regular course of business, as well as additional forms designed usually by mandate consultants, for the collection of staff mandate time not otherwise available from regular business records. Uniform compliance would be more likely if the Controller published forms for this purpose, as the Controller has done for other programs within the Controller's payment and audit jurisdiction.

This District utilized forms prepared by its consultant to document staff time spent on the mandates. These forms are in the nature of certified declarations that are within the scope of the parameters and guidelines documentation standards. Where these forms or other documentation were apparently sufficient, the auditor made qualitative judgments regarding the scope of activities as to whether they were related to the mandate program.

Where it was not, the auditor disallowed the claimed costs for insufficient documentation. Also, where the District's reported time and workload statistics were accepted by the auditor for some activities, the Controller is validating the District's good faith method and the mandate consultant's forms as an acceptable method for estimating mandate activity time. Since all of these choices are of basic differences, the dispute has to be resolved by the incorrect reduction claim process.

AUDIT FINDINGS

FINDING 1 Determine Residence Classification cost component

The District claimed \$510,170 in salaries and benefits for determining student residency classification during the audit period. The audit report determined that \$547,424 is allowable, an increase in allowable costs by \$37,254, that is attributable to the increased salary and benefits productive hourly rate discussed in Finding 4. This part of the mandate requires the student applicant to supply, and staff to weigh, the residence determination factors and for the staff to determine whether the student is financially independent or dependent when a student is seeking reclassification as a nonresident exempt from the nonresident tuition fees. District employees estimated the number of hours needed per year to conduct the reimbursable activities and reported these hours on certification forms developed by the District's mandated cost consultant. However, no time allowances per student were established or used for the claims contrary to what is stated in the draft audit report.

After discussions with program staff the auditor found that the time claimed appears reasonable based on the volume and number of different documents submitted by students for staff to review and the number of nonresident tuition exemptions processed by staff for each fiscal year. The audit report states that District documentation supports 10,293 hours for 152,425 applications processed during the audit period, for an average time of 4.05 minutes. Based on the allowed cost of \$547,424 for the 152,425 applications process, the imputed cost per application would be \$3.59. The District agrees this cost is reasonable.

FINDING 2 Exceptions to Determination of Nonresidence cost component-unallowable salaries and benefits

The District claimed \$397,356 in salaries and benefits for processing exceptions to determinations of nonresidence. This mandate component requires the District to:

- Retain indefinitely, as Class 1 permanent records, the original or copy of certified affidavit and other materials utilized in meeting the certification requirements;

- Refund the student's nonresident tuition if the student is determined eligible for the exemption after he or she has paid nonresident tuition;
- Discard and replace old questionnaire forms with the newly prescribed Chancellor's form in printed materials for summer or fall 2002; and
- Weigh information on whether the student is precluded from establishing a domicile.

The audit found that \$10,787 is allowable and \$386,569 is unallowable because:

The district claimed that staff spent 9,163 hours retaining the original certified affidavit in meeting certification requirements resulting from Nonresident Tuition Exemption Request forms submitted by 3,032 students during the audit period, as noted in the table above. This means that the district claimed that staff spent an average of 3 hours and 1 minute per student performing these record-keeping activities. However, based on our discussions with district representatives concerning the procedures that they followed, our review of information contained on the district's website, and our observation of the reimbursable activity being performed, the time claimed to perform the reimbursable activities did not appear to be reasonable.

While the District claimed a total of 9,163 hours for this component for the audit period, the District did not base these hours on a time survey or an average time per exemption processed. These hours were reported in the same manner as the documentation provided for Finding 1, that is, employees estimated the number of annual hours to implement the mandate activities on certification forms developed by the District's mandated cost consultant. The average time per student of 3 hours and one minute derived by the auditor is based on workload statistics not used for the annual claims and these statistics appear to be related only to the AB 540 applications and not the complete workload for this part of the mandate.

The audit determined that 175 hours are allowable, and 8,988 are unallowable. The \$10,787 allowed, and the statistics this amount utilizes, relates to the AB 540 transactions, and not the entire workload for this component. The AB 540 certification process is about two to four percent of the staff work claimed for this mandate component. The auditor observed staff logging into the computer and scanning two full application reports and two residence packages into student files and reviewing the information for accuracy. Based on this observation of two transactions and discussion with staff, the auditor determined an average time increment of 3.42 minutes per certified affidavit to perform the reimbursable AB 540 activities. This average was applied to District provided statistics of the number of nonresident tuition exemptions processed for each fiscal year of the audit period, ranging from about 200 to 500 per year.

This finding results from several inexplicable auditor choices. The same certified annual employee declarations accepted for Finding 1 were not accepted for this finding. The staff time reported for both these findings was not based on workload statistics or cost allowances, it was what the Controller characterizes as estimates. These estimates were not a problem for Finding 1, but are the stated basis for disallowing the costs in this finding. The workload statistics were accepted by the auditor upon "confirmation" by the District staff, yet the staff time declarations, which have evidentiary standing greater than verbal or written "confirmations," were not accepted. Finally, the observation of just two AB 540 transactions is insufficient for purposes of developing an average time and is not representative of the entire scope of this component.

The District and audit report acknowledge that there was some confusion in matching the activities and staff time to the relevant mandate component. For example, the audit report states that time required for "processing the questionnaire verifying eligibility for nonresident exemption is a document that was already included in activities claimed under the Determining Residence Classification cost component," that is, Finding 1. Given this evident confusion among staff about the relevant coding of the activities on the annual forms, that the District did not use average times to claim costs and the average times used by the auditor were applied to the wrong statistics, it would seem more appropriate that the time reported for this finding should be merged with Finding 1, and not just disallowed. The disallowed \$386,569 here in Finding 2 divided by the 152,425 transactions used by the auditor in Finding 1 would add another \$2.54 per transaction, and the total cost for both findings would still be reasonable.

FINDING 3 Unallowable indirect costs

An indirect cost rate is applied to all reimbursable direct costs to allocate administrative and other costs to the direct mandate program costs. The two sources of the total adjustment amount each year are the amount of direct costs disallowed to which the indirect cost rate is applied and the calculation of the indirect cost rate. The District claimed indirect costs during the audit period totaling \$425,195. The audit report states that \$223,243 is allowable and \$201,952 is unallowable. The indirect costs are reduced as a result of cost reduction from Finding 2 and differences in how the Controller's FAM-29C indirect cost rate calculation methodology was used by the District.

<u>Fiscal Year</u>	<u>Claimed</u>	<u>Allowable</u>	<u>Adjustment</u>
2001-02	45.74%	17.83%	-27.91%
2002-03	41.72%	20.87%	-20.85%
2003-04	45.53%	18.14%	-27.39%

2004-05	40.58%	39.86%	- 0.72%
2005-06	48.98%	41.89%	- 7.09%
2006-07	52.46%	42.25%	-10.21%
2007-08	47.53%	43.68%	- 3.85%
2008-09	47.53%	40.44%	- 7.09%
2009-10	42.72%	45.40%	2.68%
2010-11	46.82%	42.91%	- 3.91%
2011-12	44.37%	44.06%	- 0.31%

There are several sources of the differences:

CCSF-311 Choice: Both the District and the auditor calculated the indirect cost rates using the Controller's FAM-29C methodology utilizing data from the California Community College Annual Financial Budget Report Expenditures by Activity Report (CCFS-311) submitted by the District to the Chancellor each year. However, the District used the prior year CCFS-311 and the auditor used the current audit year report. The District utilized prior year CCSF-311 reports because the current (annual claim) year approved CCSF-311 report and CPA audited financial statement depreciation expense are not always available when the annual claims are prepared. This is a source of minor differences from year-to-year that becomes insignificant when applied as a consistent method.

Depreciation Expense: The large differences prior to FY 2004-05 are the result of the District including capital costs from the CCSF-311 and the Controller excluding capital costs from the calculation. The audit excluded the capital costs every year until FY 2004-05 when CPA depreciation expense was included by a change in Controller policy. The Controller has not stated a legal or factual reason to previously exclude or now include capital or depreciation costs, and this is a statewide audit appeal issue. Capital costs and depreciation costs will essentially trend to the same amount over a period of years.

Direct Costs: The other minor differences between the claimed rates and audited rates derive from the choice of how some of the costs are categorized as either direct or indirect for purposes of the calculation. These minor differences are within the realm of a reasonable interpretation of the nature (either direct or indirect) of the costs reported for each CCFS-311 account and the audit findings have not indicated otherwise. The audit report does not state that the District's choices are unreasonable, just that they aren't exactly the same as the Controller's choices using the same method.

There are no regulations or pertinent generally accepted industry methods for the calculation of the indirect cost rate, so it is a matter of professional judgment. The Controller's claiming instructions are unenforceable because they have not been adopted as regulations under the Administrative Procedure Act. The burden of proof is on the Controller to prove that the

product of the District's calculation is unreasonable, not to recalculate the rate according to unenforceable policy preferences. However, this is a statewide audit issue included in many other incorrect reduction claims already filed that will have to be resolved by decision of the Commission on State Mandates.

FINDING 4 Understated Productive Hourly Rates

The District calculated productive hourly rates for the salary and benefits for the employees claimed using a standard 21% employee benefit rate, a statewide standard developed for the Collective Bargaining mandate program in 1979, instead of the actual employee benefit rates. During the audit the District provided the actual salary data for FY 2003-04 through FY 2011-12. Using information still available from Chancellor's Office for FY 2004-05 and thereafter, the auditor calculated the district benefit rates. These rates were higher than the standard 21% claimed. The District concurs with this finding.

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memoranda, or other writings in effect and applicable to the audit procedures and findings for audits of this mandate program. Government Code Section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in possession of the agency and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District, the agency must state the estimated date and time when the records will be made available.

Sincerely,



Claudette E. Dain, CPA
Vice President Finance and Administrative Services
Citrus Community College District

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