



BETTY T. YEE
California State Controller

August 18, 2015

Karen Hardy, Interim Chief Business Officer
Victor Valley Community College District
18422 Bear Valley Road
Victorville, CA 92395

Dear Ms. Hardy:

The State Controller's Office performed a desk review of costs claimed by the Victor Valley Community College District for the legislatively mandated Minimum Conditions for State Aid Program (Education Code sections 66010.2, 66010.7, 66721.5, 66731, 66732, 66736, 66738, 66740, 66742, 70902, 78015, and 78016 as added and/or amended by various legislations, and Title 5, *California Code of Regulations*, sections 53203, et al) for the period of July 1, 2012, through June 30, 2014. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that the district's share of the state general apportionment from the FY 2012-13 and FY 2013-14 Budget Act is properly reported as offsetting revenues/reimbursements.

The district claimed \$6,216,232 for the mandated program. Our review found that the entire amount is unallowable. The district did not report on its claims any of the state general apportionments it received. The costs are unallowable because unreported apportionments exceed direct costs claimed, as described in the attached Summary of Program Costs and the Review Results.

For the fiscal year (FY) 2012-13 and FY 2013-14 claims, the State made no payment to the district. Our review found that the claimed costs are unallowable.

If you disagree with the review finding, 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/as

Attachments

RE: S15-MCC-9013

cc: Roger Wagner, Superintendent/President
Victor Valley Community College District
Mario Rodriguez, Assistant Vice Chancellor
California Community Colleges Chancellor's Office
Christine Atalig, Specialist, College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Chris Ferguson, Principal Program Budget Analyst
Education Systems Unit, California Department of Finance
Keith Nezaam, Staff Finance Budget Analyst
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2012, through June 30, 2014**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2012 through June 30, 2013</u>			
Direct costs: ²			
Salaries and benefits			
Transfer Centers	\$ 1,461,447	\$ 1,461,447	\$ -
Standards of Scholarship	967,919	967,919	-
Curriculum	217,870	217,870	-
Degree and Certificates	102,878	102,878	-
Open Courses	195,725	195,725	-
Subtotal, Salaries and benefits	<u>2,945,839</u>	<u>2,945,839</u>	<u>-</u>
Materials and supplies			
Transfer Centers	830	830	-
Standards of Scholarship	556	556	-
Curriculum	4,827	4,827	-
Degree and Certificates	113	113	-
Open Courses	4,262	4,262	-
Subtotal, Materials and supplies	<u>10,588</u>	<u>10,588</u>	<u>-</u>
Total direct costs	2,956,427	2,956,427	-
Indirect costs	<u>1,555,698</u>	<u>1,555,698</u>	<u>-</u>
Total direct and indirect costs	4,512,125	4,512,125	-
Less offsetting revenues/reimbursements	-	(15,580,763)	(15,580,763)
Subtotal	4,512,125	(11,068,638)	(15,580,763)
Review adjustments that exceed costs claimed	-	11,068,638	11,068,638
Total program costs	<u>\$ 4,512,125</u>	-	<u>\$ (4,512,125)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Attachment 1 (continued)

Costs Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2013, through June 30, 2014</u>			
Direct costs: ²			
Salaries and benefits			
Transfer Centers	\$ 612,999	\$ 612,999	\$ -
Standards of Scholarship	386,138	386,138	-
Curriculum	68,950	68,950	-
Degree and Certificates	1,786	1,786	-
Open Courses	69,181	69,181	-
Subtotal, Salaries and benefits	<u>1,139,054</u>	<u>1,139,054</u>	<u>-</u>
Contract services			
Standards of Scholarship	3,500	3,500	-
Subtotal, Contract services	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total direct costs	1,142,554	1,142,554	-
Indirect costs	561,553	561,553	-
Total direct and indirect costs	1,704,107	1,704,107	-
Less offsetting revenues/reimbursements	-	(18,588,134)	(18,588,134)
Subtotal	1,704,107	(16,884,027)	(18,588,134)
Review adjustments that exceed costs claimed	-	16,884,027	16,884,027
Total program costs	<u>\$ 1,704,107</u>	-	<u>\$ (1,704,107)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Attachment 1 (continued)

Costs Elements	Acutal Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2012, through June 30, 2014</u>			
Direct costs: ²			
Salaries and benefits			
Transfer Centers	\$ 2,074,446	\$ 2,074,446	\$ -
Standards of Scholarship	1,354,057	1,354,057	-
Curriculum	286,820	286,820	-
Degree and Certificates	104,664	104,664	-
Open Courses	264,906	264,906	-
Subtotal, Salaries and benefits	<u>4,084,893</u>	<u>4,084,893</u>	<u>-</u>
Materials and supplies			
Transfer Centers	830	830	-
Standards of Scholarship	556	556	-
Curriculum	4,827	4,827	-
Degree and Certificates	113	113	-
Open Courses	4,262	4,262	-
Subtotal, Materials and supplies	<u>10,588</u>	<u>10,588</u>	<u>-</u>
Contract services			
Standards of Scholarship	3,500	3,500	-
Subtotal, Contract services	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total direct costs	4,098,981	4,098,981	-
Indirect costs	<u>2,117,251</u>	<u>2,117,251</u>	<u>-</u>
Total direct and indirect costs	6,216,232	6,216,232	-
Less offsetting revenues/reimbursements	-	(34,168,897)	(34,168,897)
Subtotal	6,216,232	(27,952,665)	(34,168,897)
Review adjustments that exceed costs claimed	-	27,952,665	27,952,665
Total program costs	<u>\$ 6,216,232</u>	-	<u>\$ (6,216,232)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

¹ See Attachment 2, Review Results.

² Includes only ongoing activities.

Attachment 2— Review Results July 1, 2012, through June 30, 2014

BACKGROUND—

Education Code sections 66010.2, 66010.7, 66721.5, 66731, 66732, 66736, 66738, 66740, 66742, 70902, 78015, and 78016, and Title 5, *California Code of Regulations*, sections 53203, et al. address the standards for the formation and basic operation of the California Community Colleges.

The sections were added and/or amended by:

- Chapter 973, Statutes of 1988
- Chapter 1188, Statutes of 1991
- Chapter 1198, Statutes of 1991
- Chapter 365, Statutes of 1998
- Chapter 187, Statutes of 2000

On May 26, 2011, the Commission on State Mandates (Commission) adopted a statement of decision finding that the test claim statutes and regulations impose a partially reimbursable state-mandated program upon community college districts within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. The Commission separated the activities found to be reimbursable into the following seven program areas:

1. Participation in district and college governance
2. Transfer centers in community colleges
3. Vocational education
4. Standards of Scholarship
5. Curriculum
6. Degrees and certificates
7. Open courses

The program's parameters and guidelines establish the state mandate and define the reimbursable criteria. The Commission adopted the parameters and guidelines on April 19, 2013. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist community college districts in claiming mandated program reimbursable costs.

**FINDING—
Unreported offsetting
revenues/
reimbursements**

The district did not report offsetting revenues/reimbursements totaling \$34,168,897. The district did not report any of the state general apportionments received from the California Community Colleges Chancellor's Office (CCCCO) on its mandated cost claims for the review period.

Per the fiscal year (FY) 2012-13 and FY 2013-14 Budget Act, offsetting revenues were recognized in Item 6870-101-0001, Provision 39, which states:

Funding provided to community college districts in Schedule (1) is provided to directly offset any mandated costs claimed by community college districts for the Minimum Conditions for State Aid (02-TC-25 and 02-TC-31) mandated program as determined by the Commission on State Mandates.

For each fiscal year, we calculated the district's share of the state general apportionment from the FY 2012-13 and FY 2013-14 Budget Act.

To calculate the percentage of the total certified apportionment made to community college districts (CCDs), we divided the Schedule (1) Apportionments by the Statewide Total Certified General Apportionment. The statewide total certified general apportionment is obtained from the CCCCCO's Recalculation Apportionment Report, Exhibit D, which can be obtained at

<http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalServicesUnit/Reports/AppportionmentReports.aspx>.

The following table shows the percentage of the total certified apportionment made to CCDs:

	Fiscal Year	
	2012-13	2013-14
Schedule (1) apportionments	\$ (1,139,298,000)	\$ (1,560,973,000)
Statewide total certified general apportionment	÷ (2,018,833,227)	÷ (2,280,516,475)
% of the total certified apportionment made to CCDs	<u>56.43%</u>	<u>68.45%</u>

To compute the related Schedule (1) Apportionments for the district, we multiplied the district's certified general apportionment by the percentage of the total certified apportionment made to CCDs identified in the table above. The district's certified general apportionment is obtained from the CCCCCO's Recalculation Apportionment Report, Exhibit D.

The following table shows the related Schedule (1) Apportionments applicable to Victor Valley Community College District:

	Fiscal Year	
	2012-13	2013-14
District's certified general apportionment	\$ (28,410,579)	\$ (27,726,288)
% of the total certified apportionment made to CCDs	× <u>56.43%</u>	× <u>68.45%</u>
Related Schedule (1) apportionments	<u>\$ (16,032,090)</u>	<u>\$ (18,978,644)</u>

To determine the percentage related to the district's apportionment, we divided the related Schedule (1) Apportionments in the table above by the Total Schedule (1) Apportionments applicable for all CCDs statewide.

The following table shows the percentage of the district's apportionment as related to the apportionments received by CCDs statewide:

	Fiscal Year	
	2012-13	2013-14
Related Schedule (1) apportionments	\$ (16,032,090)	\$ (18,978,644)
Total Schedule (1) apportionments	÷ (1,139,298,000)	÷ (1,560,973,000)
% related to the district's apportionment	<u>1.41%</u>	<u>1.22%</u>

Per the Budget Act, there are a few provisions that are related to Schedule (1) and those amounts should be deducted from Schedule (1):

3. The funds appropriated in Schedule (1) for apportionments include \$31,409,000 to encourage district-level accountability efforts pursuant to Section 84754.5 of the Education Code.
14. Of the funds appropriated in Schedule (1), Apportionments:
 - (a) Up to \$100,000 is for maintenance allowance, pursuant to Section 54200 of Title 5 of the California Code of Regulations.
 - (b) Up to \$500,000 is to reimburse colleges for the costs of federal aid repayments related to assessed fees for fee waiver recipients. This reimbursement only applies to students who completely withdraw from college before the census date pursuant to Section 58508 of Title 5 of the California Code of Regulations.

The following table summarizes the district's share to be excluded from its Schedule (1) apportionment based on the three provisions cited above:

	Fiscal Year	
	2012-13	2013-14
Provision 3	\$ (31,409,000)	\$ (31,409,000)
Provision 14(a)	(100,000)	(100,000)
Provision 14(b)	<u>(500,000)</u>	<u>(500,000)</u>
Amount to be excluded from Schedule (1)	\$ (32,009,000)	\$ (32,009,000)
% related to the district's apportionment	<u>1.41%</u>	<u>1.22%</u>
Schedule (1) allocation	<u>\$ (451,327)</u>	<u>\$ (390,510)</u>

Therefore, the district's share of the state general apportionment should be the related Schedule (1) Apportionments less the Schedule (1) Allocation, as identified in the table above.

The following table summarizes the unreported offsetting revenues/reimbursements for the review period:

	Fiscal Year		Total
	2012-13	2013-14	
Related Schedule (1) apportionments	\$ (16,032,090)	\$ (18,978,644)	
Less: Schedule (1) allocation	451,327	390,510	
Net Apportionment - Schedule (1)	<u>\$ (15,580,763)</u>	<u>\$ (18,588,134)</u>	<u>\$ (34,168,897)</u>

The parameters and guidelines (section VII – Offsetting Revenues and Reimbursements) state:

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed...

In addition, reimbursement for this mandate from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

Recommendation

We recommend that the district report all mandate-related offsetting revenues/reimbursements on its mandated cost claims.