

LOS RIOS COMMUNITY COLLEGE DISTRICT

Revised Audit Report

MANDATE REIMBURSEMENT PROCESS PROGRAM

Chapter 486, Statutes of 1975;
Chapter 1459, Statutes of 1984;
and Chapter 157, Statutes of 2003

July 1, 1998, through June 30, 2002



JOHN CHIANG
California State Controller

November 2014



JOHN CHIANG
California State Controller

November 14, 2014

Robert Jones, President
Board of Trustees
Los Rios Community College District
1919 Spanos Court
Sacramento, CA 95825

Dear Mr. Jones:

The State Controller's Office audited the costs claimed by the Los Rios Community College District for the legislatively mandated Mandate Reimbursement Process Program (Chapter 486, Statutes of 1975; Chapter 1459, Statutes 1984; and Chapter 157, Statutes of 2003) for the period of July 1, 1998, through June 30, 2002.

This revised report supersedes our previous report dated June 24, 2004. In response to a July 3, 2014 draft proposed decision on a filed Incorrect Reduction Claim, the district provided additional information that supported most of the audit adjustments. The remaining adjustments are immaterial. Therefore, we agreed to reinstate all costs claimed. In addition, we revised the Summary of Program Costs (Schedule 1) to reflect the fiscal year 2001-02 amended claim filed after the due date specified in Government Code section 17560. As a result of these changes, allowable costs increased by \$11,390, from \$54,002 to \$65,392.

The district claimed \$65,546 for the mandated program. Our audit found that \$65,392 is allowable (\$65,546 less a \$154 penalty for filing a late claim). The State paid the district \$54,002. The State will pay allowable costs claimed that exceed the amount paid, totaling \$11,390, contingent upon available appropriations.

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/mh

cc: Brian King, Chancellor

Los Rios Community College District

Carrie Bray, Director of Accounting Services

Los Rios Community College District

Christine Atalig, Specialist

College Finance and Facilities Planning

California Community Colleges Chancellor's Office

Mollie Quasebarth, Principal Program Budget Analyst

Education Systems Unit

California Department of Finance

Mario Rodriguez, Assistant Vice Chancellor

College Finance and Facilities Planning

California Community Colleges Chancellor's Office

Jay Lal, Manager

Division of Accounting and Reporting

State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	1
Conclusion	2
Views of Responsible Officials.....	2
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Los Rios Community College District for the legislatively mandated Mandate Reimbursement Process Program (Chapter 486, Statutes of 1975; Chapter 1459, Statutes of 1984; and Chapter 157, Statutes of 2003) for the period of July 1, 1998, through June 30, 2002.

The district claimed \$65,546 for the mandated program. Our audit found that \$65,392 is allowable (\$65,546 less a \$154 penalty for filing a late claim). The State paid the district \$54,002. The State will pay allowable costs claimed that exceed the amount paid, totaling \$11,390, contingent upon available appropriations.

Background

Chapter 486, Statutes of 1975; Chapter 1459, Statutes of 1984; and Chapter 157, Statutes of 2003; added and amended Government Code section 17557 and Title 2, *California Code of Regulations*, sections 1183.2 and 1185.3, by authorizing the SCO to receive, review, and pay reimbursement claims for mandated costs submitted by local governments. In addition, the legislation established the "sole and exclusive procedure" for school districts to claim reimbursements for state-mandated costs under Government Code section 17552. The legislation also established the process for school districts to receive reimbursement for state-mandated costs and prescribed the procedures to be followed in filing the claim before mandated costs are recognized.

On March 27, 1986, the Commission on State Mandates (Commission) determined that this legislation imposed a State mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on November 20, 1986, and last amended them on May 26, 2011. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Mandate Reimbursement Process Program for the period of July 1, 1998, through June 30, 2002.

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

For the audit period, the Los Rios Community College District claimed \$65,546 for costs of the Mandate Reimbursement Process Program. Our audit found no material instances of noncompliance with the requirements outlined above. The allowable costs total \$65,392 (\$65,546 less a \$154 penalty for filing a late claim). The State paid the district \$54,002. The State will pay allowable costs claimed that exceed the amount paid, totaling \$11,390, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on May 5, 2004. Jon Sharpe, Vice Chancellor of Finance and Administration, responded by letter dated May 24, 2004, disagreeing with the audit results. We issued a final report on June 24, 2004. The district filed an Incorrect Reduction Claim (IRC) with the Commission on September 9, 2005.

In response to the Commission's draft proposed decision on the IRC, dated July 3, 2014, the district provided worksheets and employee calendars to support additional hours claimed for both fiscal year (FY) 1999-2000 and FY 2000-01 that we previously found to be unallowable. The remaining adjustments are immaterial. Therefore, we agreed to reinstate all costs claimed. In addition, we revised the Summary of Program Costs (Schedule 1) to reflect the FY 2001-02 amended claim filed after the due date specified in Government Code section 17560. As a result of these changes, allowable costs increased by \$11,390, from \$54,002 to \$65,392.

On September 3, 2014, we notified Carrie Bray, Director of Accounting Services, of the revisions. Ms. Bray agreed to withdraw the IRC filed by the district after the issuance of this revised report.

This revised report supersedes our previous report dated June 24, 2004.

Restricted Use

This report is solely for the information and use of the Los Rios 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

November 14, 2014

**Revised Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits	\$ 3,449	\$ 3,449	\$ —
Contract services	370	370	—
Total direct costs	3,819	3,819	—
Indirect costs	1,048	1,048	—
Total program costs	<u>\$ 4,867</u>	4,867	<u>\$ —</u>
Less amount paid by the State		(4,867)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits	\$ 11,190	\$ 11,190	\$ —
Travel and training	1,188	1,188	—
Contract services	9,454	9,454	—
Total direct costs	21,832	21,832	—
Indirect costs	6,637	6,637	—
Total program costs	<u>\$ 28,469</u>	28,469	<u>\$ —</u>
Less amount paid by the State		(19,640)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,829</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 7,651	\$ 7,651	\$ —
Travel and training	228	228	—
Contract services	4,888	4,888	—
Total direct costs	12,767	12,767	—
Indirect costs	2,478	2,478	—
Total program costs	<u>\$ 15,245</u>	15,245	<u>\$ —</u>
Less amount paid by the State		(14,070)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,175</u>	

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits	\$ 6,796	\$ 6,796	\$ —
Travel and training	1,169	1,169	—
Contract services	5,013	5,013	—
Total direct costs	12,978	12,978	—
Indirect costs	3,987	3,987	—
Subtotal	16,965	16,965	—
Less late filing penalty ¹	—	(154)	(154)
Total program costs	<u>\$ 16,965</u>	16,811	<u>\$ (154)</u>
Less amount paid by the State		(15,425)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,386</u>	
<u>Summary: July 1, 1998, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits	\$ 29,086	\$ 29,086	\$ —
Travel and training	2,585	2,585	—
Contract services	19,725	19,725	—
Total direct costs	51,396	51,396	—
Indirect costs	14,150	14,150	—
Subtotal	65,546	65,546	—
Less late filing penalty	—	(154)	(154)
Total program costs	<u>\$ 65,546</u>	65,392	<u>\$ (154)</u>
Less amount paid by the State		(54,002)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 11,390</u>	

¹ The district filed its fiscal year 2001-02 annual reimbursement claim for \$15,425 by the due date specified in Government Code section 17560, and amended it to \$16,965 after the due date. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs that exceed the timely filed claim amount, not to exceed \$1,000 (for claims amended before August 24, 2007).

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>