



**JOHN CHIANG**  
California State Controller

December 13, 2012

Daniela Thompson  
Administrative Director, Fiscal Affairs  
Coast Community College District  
1370 Adams Avenue  
Costa Mesa, CA 92626

Dear Ms. Thompson:

The State Controller's Office reviewed the costs claimed by the Coast Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300 and *California Code of Regulations*, Title 5, sections 58510-58503, 58611-58613, 58620, and 58630) for the period of July 1, 2000, through June 30, 2007. Our review was limited to validating offsetting reimbursements the district received from the California Community Colleges Chancellor's Office for enrollment fee collection and waivers offsets.

The district claimed \$1,461,754 for the mandated program. Our review disclosed that \$136,078 is allowable and \$1,325,676 is unallowable. The costs are unallowable because the district understated offsetting reimbursements, as described in the attached Summary of Program Costs and Finding and Recommendation. The State made no payment to the district. Our review disclosed that \$136,078 is allowable. The State will pay that amount, contingent upon available appropriations.

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

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

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/sk

Attachments

RE: S13-MCC-917

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

**Attachment 1—  
Summary of Program Costs  
July 1, 2000, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 88,298	\$ 88,298	\$ —	
Total direct costs	88,298	88,298	—	
Indirect costs	37,085	37,085	—	
Total direct and indirect costs	125,383	125,383	—	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(48,150)	(121,733)	(73,583)	Finding 1
Total enrollment fee collection	77,233	3,650	(73,583)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	65,935	65,935	—	
Reporting BOGG fee waiver data to CCCCCO	515	515	—	
Total direct costs	66,450	66,450	—	
Indirect costs	27,909	27,909	—	
Total direct and indirect costs	94,359	94,359	—	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	—	(94,359)	(94,359)	Finding 1
Total enrollment fee waivers	94,359	—	(94,359)	
Total program costs	<u>\$ 171,592</u>	3,650	<u>\$ (167,942)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,650</u>		
<u>July 1, 2001, through June 30, 2002</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 120,519	\$ 120,519	\$ —	
Total direct costs	120,519	120,519	—	
Indirect costs	50,618	50,618	—	
Total direct and indirect costs	171,137	171,137	—	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(42,228)	(131,245)	(89,017)	Finding 1
Total enrollment fee collection	128,909	39,892	(89,017)	

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	71,824	71,824	—	
Reporting BOGG fee waiver data to CCCCCO	1,110	1,110	—	
Total direct costs	72,934	72,934	—	
Indirect costs	30,632	30,632	—	
Total direct and indirect costs	103,566	103,566	—	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	—	(103,566)	(103,566)	Finding 1
Total enrollment fee waivers	103,566	—	(103,566)	
Total program costs	\$ 232,475	39,892	\$ (192,583)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 39,892		
<u>July 1, 2002, through June 30, 2003</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 114,619	\$ 114,619	\$ —	
Total direct costs	114,619	114,619	—	
Indirect costs	48,140	48,140	—	
Total direct and indirect costs	162,759	162,759	—	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(43,081)	(133,228)	(90,147)	Finding 1
Total enrollment fee collection	119,678	29,531	(90,147)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	100,255	100,255	—	
Reporting BOGG fee waiver data to CCCCCO	1,201	1,201	—	
Total direct costs	101,456	101,456	—	
Indirect costs	42,611	42,611	—	
Total direct and indirect costs	144,067	144,067	—	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	—	(144,067)	(144,067)	Finding 1
Total enrollment fee waivers	144,067	—	(144,067)	
Total program costs	\$ 263,745	29,531	\$ (234,214)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 29,531		

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 99,846	\$ 99,846	\$ —	
Total direct costs	99,846	99,846	—	
Indirect costs	41,935	41,935	—	
Total direct and indirect costs	141,781	141,781	—	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(86,875)	(141,781)	(54,906)	Finding 1
Total enrollment fee collection	54,906	—	(54,906)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	103,326	103,326	—	
Reporting BOGG fee waiver data to CCCCCO	1,572	1,572	—	
Total direct costs	104,898	104,898	—	
Indirect costs	44,057	44,057	—	
Total direct and indirect costs	148,955	148,955	—	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	—	(148,955)	(148,955)	Finding 1
Total enrollment fee waivers	148,955	—	(148,955)	
Total program costs	\$ 203,861	—	\$ (203,861)	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		\$ —		
<u>July 1, 2004, through June 30, 2005</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 134,156	\$ 134,156	\$ —	
Total direct costs	134,156	134,156	—	
Indirect costs	56,346	56,346	—	
Total direct and indirect costs	190,502	190,502	—	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(139,639)	(190,502)	(50,863)	Finding 1
Total enrollment fee collection	50,863	—	(50,863)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	131,431	131,431	—	
Reporting BOGG fee waiver data to CCCCCO	2,057	2,057	—	

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005 (continued)</u>				
Total direct costs	133,488	133,488	—	
Indirect costs	56,064	56,064	—	
Total direct and indirect costs	189,552	189,552	—	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	—	(189,552)	(189,552)	Finding 1
Total enrollment fee waivers	189,552	—	(189,552)	
Total program costs	<u>\$ 240,415</u>	—	<u>\$ (240,415)</u>	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 140,634	\$ 140,634	\$ —	
Total direct costs	140,634	140,634	—	
Indirect costs	59,066	59,066	—	
Total direct and indirect costs	199,700	199,700	—	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(132,733)	(199,700)	(66,967)	Finding 1
Total enrollment fee collection	66,967	—	(66,967)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	152,487	152,487	—	
Reporting BOGG fee waiver data to CCCCCO	2,227	2,227	—	
Total direct costs	154,714	154,714	—	
Indirect costs	64,980	64,980	—	
Total direct and indirect costs	219,694	219,694	—	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	—	(219,694)	(219,694)	Finding 1
Total enrollment fee waivers	219,694	—	(219,694)	
Total program costs	<u>\$ 286,661</u>	—	<u>\$ (286,661)</u>	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
<i>Enrollment fee collection:</i>				
Direct costs				
Calculating and collecting enrollment fees	\$ 249,875	\$ 249,875	\$ —	
Total direct costs	249,875	249,875	—	
Indirect costs	104,948	104,948	—	
Total direct and indirect costs	354,823	354,823	—	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(150,221)	(239,764)	(89,543)	Finding 1
Total enrollment fee collection	204,602	115,059	(89,543)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	71,228	71,228	—	
Reporting BOGG fee waiver data to CCCCCO	2,702	2,702	—	
Total direct costs	73,930	73,930	—	
Indirect costs	31,051	31,051	—	
Total direct and indirect costs	104,981	104,981	—	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(246,578)	(104,981)	141,597	Finding 1
Total enrollment fee waivers	(141,597)	—	141,597	
Subtotal	63,005	115,059	52,054	
Less allowable costs that exceed costs claimed <sup>2</sup>	—	(52,054)	(52,054)	
Total program costs	<u>\$ 63,005</u>	63,005	<u>\$ 141,597</u>	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 63,005</u>		
<u>Summary: July 1, 2000, through June 30, 2007</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 947,947	\$ 947,947	\$ —	
Total direct costs	947,947	947,947	—	
Indirect costs	398,138	398,138	—	
Total direct and indirect costs	1,346,085	1,346,085	—	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(642,927)	(1,157,953)	(515,026)	
Total enrollment fee collection	703,158	188,132	(515,026)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	696,486	696,486	—	
Reporting BOGG fee waiver data to CCCCCO	11,384	11,384	—	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 2000, through June 30, 2007 (continued)</u>				
Total direct costs	707,870	707,870	—	
Indirect costs	297,304	297,304	—	
Total direct and indirect costs	1,005,174	1,005,174	—	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(246,578)	(1,005,174)	(758,596)	
Total enrollment fee waivers	758,596	—	(758,596)	
Subtotal	1,461,754	188,132	(1,273,622)	
Less allowable costs that exceed costs claimed <sup>2</sup>	—	(52,054)	(52,054)	
Total program costs	<u>\$ 1,461,754</u>	136,078	<u>\$ (1,325,676)</u>	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 136,078</u>		

<sup>1</sup> See Attachment 2, Finding and Recommendation.

<sup>2</sup> 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 2006-07.

## Attachment 2— Finding and Recommendation July 1, 2000, through June 30, 2007

**FINDING—  
Understated offsetting  
reimbursements**

The district claimed offsetting reimbursements totaling \$642,927 for enrollment fee collection and \$246,578 for enrollment fee waivers. We determined the offsetting reimbursements were understated by \$515,026 for enrollment fee collection and \$758,596 for enrollment fee waivers.

The offsetting reimbursements were understated because the district did not report the correct amounts that it received from the California Community Colleges Chancellor's Office (CCCCO) for enrollment fee collection in any fiscal year of the audit period. In addition, the district did not include any offsetting reimbursements received for enrollment fee waivers in its claims for FY 2000-01 through FY 2005-06 and understated the amount reported for FY 2006-07. We also noted that in its FY 2006-07 claim, the district applied offsetting reimbursements of \$246,578 against total direct and indirect costs claimed, totaling \$104,981 for enrollment fee waiver activities. As a result, offsetting reimbursements exceeded total direct and indirect costs claimed by \$141,597. Offsetting reimbursements are limited to total direct and indirect costs incurred.

*Enrollment Fee Collections*

For the audit period, the district claimed offsetting reimbursements totaling \$642,927 related to the offset of two percent of revenues from enrollment fees. We obtained a report from the CCCCCO that identified the enrollment fee collection offsets paid to the district totaling \$1,324,831. Consequently, the district understated offsetting reimbursements by \$681,904. We limited the offsetting reimbursements received by the district in each fiscal year to allowable direct and indirect costs. For FY 2003-04 through FY 2005-06, offsetting reimbursements received by the district exceeded allowable direct and indirect costs by \$166,878. Consequently, net understated offsetting reimbursements for the audit period total \$515,026.

The following table summarizes the understated offsetting reimbursements for enrollment fee collection by fiscal year:

Enrollment Fee Collection Offsets						
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offsets Confirmed by the CCCCCO (C)	Understated Offsets (B-C)	Offsets Applicable to Audit (D)	Audit Adjustment (B+D)
2000-01	\$ 125,384	\$ 48,150	\$ 121,733	\$ (73,583)	\$ (121,733)	\$ (73,583)
2001-02	171,137	42,228	131,245	(89,017)	(131,245)	(89,017)
2002-03	162,759	43,081	133,228	(90,147)	(133,228)	(90,147)
2003-04	141,781	86,875	188,262	(101,387)	(141,781)	(54,906)
2004-05	190,502	139,639	258,323	(118,684)	(190,502)	(50,863)
2005-06	199,700	132,733	252,276	(119,543)	(199,700)	(66,967)
2006-07	354,823	150,221	239,764	(89,543)	(239,764)	(89,543)
<b>Total</b>	<b>\$ 1,346,086</b>	<b>\$ 642,927</b>	<b>\$ 1,324,831</b>	<b>\$ (681,904)</b>	<b>\$ (1,157,953)</b>	<b>\$ (515,026)</b>

The unused portion of offsetting reimbursements related to enrollment fee collection costs total \$166,878 as follows:

Enrollment Fee Collection				
Fiscal Year	Actual Offsets Confirmed by the CCCCCO (A)	Allowable Direct and Related Indirect Costs (B)	Offsets Applicable to Audit (C)	Unused Portion of Offsets (A+C)
2000-01	\$ (121,733)	\$ 125,384	\$ 121,733	\$ —
2001-02	(131,245)	171,137	131,245	—
2002-03	(133,228)	162,759	133,228	—
2003-04	(188,262)	141,781	141,781	(46,481)
2004-05	(258,323)	190,502	190,502	(67,821)
2005-06	(252,276)	199,700	199,700	(52,576)
2006-07	(239,764)	354,823	239,764	—
Total	<u>\$ (1,324,831)</u>	<u>\$ 1,346,086</u>	<u>\$ 1,157,953</u>	<u>\$ (166,878)</u>

#### Enrollment Fee Waivers

For the audit period, the district claimed offsetting reimbursements totaling \$246,578 for enrollment fee waivers. We obtained a report from the CCCCCO that identified the enrollment fee waivers offsets paid to the district totaling \$2,271,403. Consequently, the district understated offsetting reimbursements by \$2,024,825. We limited the offsetting reimbursements received by the district to allowable direct and indirect costs. Allowable direct and indirect costs applicable to the audit period totals \$1,005,174; therefore this amount represents offsets applicable to the audit period. The district claimed \$246,578. Consequently, the district understated allowable enrollment fee waivers offsets by \$758,596.

The following table summarizes the understated offsetting reimbursements for enrollment fee waivers by fiscal year.

Enrollment Fee Waivers Offsets						
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offsets Confirmed by the CCCCCO (C)	Understated Offsets (B-C)	Offsets Applicable to Audit (D)	Audit Adjustment (B+D)
2000-01	\$ 94,359	\$ —	\$ 229,270	\$ (229,270)	\$ (94,359)	\$ (94,359)
2001-02	103,566	—	231,455	(231,455)	(103,566)	(103,566)
2002-03	144,067	—	265,564	(265,564)	(144,067)	(144,067)
2003-04	148,955	—	318,002	(318,002)	(148,955)	(148,955)
2004-05	189,552	—	420,084	(420,084)	(189,552)	(189,552)
2005-06	219,694	—	384,706	(384,706)	(219,694)	(219,694)
2006-07	104,981	246,578	422,322	(175,744)	(104,981)	141,597
Total	<u>\$ 1,005,174</u>	<u>\$ 246,578</u>	<u>\$ 2,271,403</u>	<u>\$ (2,024,825)</u>	<u>\$(1,005,174)</u>	<u>\$ (758,596)</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee waivers costs total \$1,226,229 as follows:

Enrollment Fee Waivers				
Fiscal Year	Actual Offsets Confirmed by the CCCCCO (A)	Allowable Direct and Related Indirect Costs (B)	Offsets Applicable to Audit (C)	Unused Portion of Offsets (A+C)
2000-01	\$ (229,270)	\$ 94,359	\$ 94,359	\$ (134,911)
2001-02	(231,455)	103,566	103,566	(127,889)
2002-03	(265,564)	144,067	144,067	(121,497)
2003-04	(318,002)	148,955	148,955	(169,047)
2004-05	(420,084)	189,552	189,552	(230,532)
2005-06	(384,706)	219,694	219,694	(165,012)
2006-07	(422,322)	104,981	104,981	(317,341)
Total	<u>\$ (2,271,403)</u>	<u>\$ 1,005,174</u>	<u>\$ 1,005,174</u>	<u>\$ (1,266,229)</u>

On April 24, 2003, the Commission on States Mandates (CSM) adopted the statement of decision for the Enrollment Fee Collection and Waivers Program. The CSM determined that the test claim legislation imposed upon school districts a state mandate reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 26, 2006. In compliance with Government Code section 17558, the SCO issued claiming instructions to assist school districts in claiming mandated program reimbursable costs.

The parameters and guidelines (section VII-Offsetting Savings and Reimbursements) state:

Any offsetting savings 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.

The costs of the Enrollment Fee Waiver program are subject to the following offsets:

July 1, 1999 to July 4, 2000:

- For low income students<sup>2</sup> or recipients of public assistance<sup>3</sup>, or dependents or surviving spouses of National Guard soldiers killed in the line of duty<sup>4</sup>, as defined:
  - an offset identified in Education Code section 76300, subdivision (m), that requires the community college Board of Governors, from funds in the annual budget act, to allocate two percent (2%) to community colleges for fees waived, under subdivision (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined] of section 76300; and

- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined), or recipients of public assistance (as defined), or dependents or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived:
  - from funds provided in the annual State Budget Act, the board of governors shall allocate to the community college district, pursuant to this subdivision, an amount equal to seven (7%) of the fee waivers provided, pursuant to subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h)[dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined].<sup>5</sup>

Beginning July 5, 2000:

- For low income students (as defined, or recipient of public assistance (as defined), or dependent or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived (as defined):
  - an offset identified in Education Code section 76300, subdivision (m), that requires the Community College Board of Governors, from funds in the annual budget act, to allocate to community colleges two (2%) of the fees waived, under subdivision (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents of California National Guard soldiers killed in the line of duty as defined] of section 76300;
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined) for whom fees are waived
  - requires the Board of Governors to allocate from funds in the annual State Budget Act ninety-one cents (\$.91) per credit unit waived pursuant to subdivisions (g) [low income students, as defined or specified recipient of public assistance] and (h) [dependents or California National Guard soldiers killed in the line of duty as defined].
- any budget augmentation received under the Board Financial Assistance Program Administrative Allowance, or any other state budget augmentation received from administering the fee waiver program.

2, 3, 4, and 5 – The parameters and guidelines provide additional clarification.

### Recommendation

We recommend that the district report all applicable offsetting reimbursements for the Enrollment Fee Collection and Waivers Program on its mandated cost claims based on information provided by the CCCCCO.