

Memorandum

To : Mike Havey, Chief
Division of Accounting and Reporting
State Controller's Office

Date: June 24, 2009

From: Jeffrey V. Brownfield, Chief
Division of Audits
State Controller's Office

Subject: CERRITOS COMMUNITY COLLEGE DISTRICT
HEALTH FEE ELIMINATION PROGRAM MANDATED COST CLAIMS
FOR THE PERIOD OF JULY 1, 2002, THROUGH JUNE 30, 2007

We reviewed the costs claimed by Cerritos Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2002, through June 30, 2007. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$487,933 (\$495,439 less a \$7,506 penalty for filing late claims) for the mandated program. Our review disclosed that \$284,537 is allowable and \$203,396 is unallowable, as described in the attached Summary of Program Costs and Finding and Recommendation. The costs are unallowable because the district understated authorized health service fees.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$106,734. Our review disclosed that \$67,440 is allowable. The State should offset \$39,294 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 through FY 2006-07 claims, the State made no payment to the district. Our review disclosed that \$217,097 is allowable. The State should pay that amount, contingent upon available appropriations.

We recommend that the Division of Accounting and Reporting notify the district of the results of this review.

If you have any questions, please contact either Jim Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849 (jspano@sco.ca.gov), or Steve Van Zee, Audit Manager, at (916) 323-2368 (svanzee@sco.ca.gov).

JVB/vb

Attachments

S09-MCC-901

cc: Jill Kanemasu, Bureau Chief
SCO-Division of Accounting and Reporting
Ginny Brummels, Manager
SCO-Division of Accounting and Reporting

**Attachment 1—
Summary of Program Costs
July 1, 2002, through June 30, 2007**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs	\$ 449,293	\$ 449,293	\$ —
Indirect costs	115,334	115,334	—
Total direct and indirect costs	564,627	564,627	—
Less authorized health service fees	(457,893)	(497,187)	(39,294)
Total program costs	<u>\$ 106,734</u>	67,440	<u>\$ (39,294)</u>
Less amount paid by the State		(106,734)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (39,294)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs	\$ 500,174	\$ 500,174	\$ —
Indirect costs	133,847	133,847	—
Total direct and indirect costs	634,021	634,021	—
Less authorized health service fees	(405,843)	(462,282)	(56,439)
Less offsetting savings/reimbursements	(78,924)	(78,924)	—
Total program costs	<u>\$ 149,254</u>	92,815	<u>\$ (56,439)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 92,815</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs	\$ 513,999	\$ 513,999	\$ —
Indirect costs	175,325	175,325	—
Total direct and indirect costs	689,324	689,324	—
Less authorized health service fees	(422,506)	(462,616)	(40,110)
Less offsetting savings/reimbursements	(102,426)	(102,426)	—
Total program costs	<u>\$ 164,392</u>	124,282	<u>\$ (40,110)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 124,282</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs	\$ 508,294	\$ 508,294	\$ —
Indirect costs	155,945	155,945	—
Total direct and indirect costs	664,239	664,239	—
Less authorized health service fees	(572,520)	(603,012)	(30,492)
Less offsetting savings/reimbursements	(85,109)	(85,109)	—
Less late filing penalty	(661)	(661)	—
Subtotal	5,949	(24,543)	(30,492)
Review adjustments that exceed costs claimed	—	24,543	24,543
Total program costs	<u>\$ 5,949</u>	—	<u>\$ (5,949)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs	\$ 644,910	\$ 644,910	\$ —
Indirect costs	223,010	223,010	—
Total direct and indirect costs	867,920	867,920	—
Less authorized health service fees	(724,362)	(872,115)	(147,753)
Less offsetting savings/reimbursements	(75,109)	(75,109)	—
Less late filing penalty	(6,845)	(6,845)	—
Subtotal	61,604	(86,149)	(147,753)
Review adjustments that exceed costs claimed	—	86,149	86,149
Total program costs	<u>\$ 61,604</u>	—	<u>\$ (61,604)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2002, through June 30, 2007</u>			
Direct costs	\$ 2,616,670	\$ 2,616,670	\$ —
Indirect costs	803,461	803,461	—
Total direct and indirect costs	3,420,131	3,420,131	—
Less authorized health service fees	(2,583,124)	(2,897,212)	(314,088)
Less offsetting savings/reimbursements	(341,568)	(341,568)	—
Less late filing penalty	(7,506)	(7,506)	—
Subtotal	487,933	173,845	(314,088)
Review adjustments that exceed costs claimed	—	110,692	110,692
Total program costs	<u>\$ 487,933</u>	284,537	<u>\$ (203,396)</u>
Less amount paid by the State		(106,734)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 177,803</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Finding and Recommendation July 1, 2002, through June 30, 2007

**FINDING—
Understated authorized
health service fees**

The district understated authorized health service fees by \$314,088 for the period of July 1, 2002, through June 30, 2007.

Mandated costs do not include costs that are reimbursable from authorized fees. Government Code section 17514 states that “costs mandated by the state” means any increased costs that a school district is required to incur. To the extent community college districts can charge a fee, they are not required to incur a cost. In addition, Government Code section 17556 states that the Commission on State Mandates shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

For the period July 1, 2002, through December 31, 2005, Education Code section 76355, subdivision (c), states that health fees are authorized for all students except those who: (1) depend exclusively on prayer for healing; (2) are attending a community college under an approved apprenticeship training program; or (3) demonstrate financial need. Effective January 1, 2006, only subdivisions (c)(1) and (c)(2) are applicable. The California Community Colleges Chancellor’s Office (CCCCO) identified the fees authorized by Education Code section 76355, subdivision (a). The following table summarizes the authorized fees per student:

Fiscal Year	Authorized Health Fee Rate	
	Semester	Summer
2002-03	\$ 12	\$ 9
2003-04	12	9
2004-05	13	10
2005-06	14	11
2006-07	15	12

We obtained student enrollment, apprenticeship program enrollment, and Board of Governors Grant (BOGG) recipient data from the CCCCCO. The CCCCCO identified enrollment and BOGG recipient data from its management information system (MIS) based on student data that the district reported. CCCCCO identified the district’s enrollment based on its MIS data element STD7, codes A through G. Within the student enrollment, CCCCCO identified the number of apprenticeship program enrollees based on its Data Element SB23, Code 1. CCCCCO eliminated any duplicate students based on their social security numbers. From the district enrollment, CCCCCO identified the number of BOGG recipients based on MIS data element SF21, all codes with first letter of B or F.

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

	Period			Total
	Summer Session	Fall Semester	Spring Semester	
Fiscal Year 2002-03:				
Number of enrolled students	14,510	25,913	25,272	
Less number of BOGG recipients	<u>(4,835)</u>	<u>(8,375)</u>	<u>(8,634)</u>	
Subtotal	9,675	17,538	16,638	
Authorized health fee rate	× \$ (9)	× \$ (12)	× \$ (12)	
Authorized health service fees	<u>\$ (87,075)</u>	<u>\$ (210,456)</u>	<u>\$ (199,656)</u>	\$ (497,187)
Less authorized health service fees claimed				<u>457,893</u>
Review adjustment, FY 2002-03				<u>(39,294)</u>
Fiscal Year 2003-04:				
Number of enrolled students	12,723	25,311	24,880	
Less number of apprenticeship program enrollees	—	—	(7)	
Less number of BOGG recipients	<u>(4,421)</u>	<u>(8,792)</u>	<u>(9,095)</u>	
Subtotal	8,302	16,519	15,778	
Authorized health fee rate	× \$ (9)	× \$ (12)	× \$ (12)	
Authorized health service fees	<u>\$ (74,718)</u>	<u>\$ (198,228)</u>	<u>\$ (189,336)</u>	(462,282)
Less authorized health service fees claimed				<u>405,843</u>
Review adjustment, FY 2003-04				<u>(56,439)</u>
Fiscal Year 2004-05:				
Number of enrolled students	12,354	24,198	23,670	
Less number of BOGG recipients	<u>(4,653)</u>	<u>(8,990)</u>	<u>(9,216)</u>	
Subtotal	7,701	15,208	14,454	
Authorized health fee rate	× \$ (10)	× \$ (13)	× \$ (13)	
Authorized health service fees	<u>\$ (77,010)</u>	<u>\$ (197,704)</u>	<u>\$ (187,902)</u>	(462,616)
Less authorized health service fees claimed				<u>422,506</u>
Review adjustment, FY 2004-05				<u>(40,110)</u>
Fiscal Year 2005-06:				
Number of enrolled students	13,071	24,148	24,547	
Less number of apprenticeship program enrollees	(548)	(904)	(1,028)	
Less number of BOGG recipients	<u>(4,997)</u>	<u>(9,604)</u>	—	
Subtotal	7,526	13,640	23,519	
Authorized health fee rate	× \$ (11)	× \$ (14)	× \$ (14)	
Authorized health service fees	<u>\$ (82,786)</u>	<u>\$ (190,960)</u>	<u>\$ (329,266)</u>	(603,012)
Less authorized health service fees claimed				<u>572,520</u>
Review adjustment, FY 2005-06				<u>(30,492)</u>
Fiscal Year 2006-07:				
Number of enrolled students	14,140	24,757	24,958	
Less number of apprenticeship program enrollees	<u>(645)</u>	<u>(1,175)</u>	<u>(1,195)</u>	
Subtotal	13,495	23,582	23,763	
Authorized health fee rate	× \$ (12)	× \$ (15)	× \$ (15)	
Authorized health service fees	<u>\$ (161,940)</u>	<u>\$ (353,730)</u>	<u>\$ (356,445)</u>	(872,115)
Less authorized health service fees claimed				<u>724,362</u>
Review adjustment, FY 2005-06				<u>(147,753)</u>
Total review adjustment				<u>\$ (314,088)</u>

Recommendation

We recommend that the district deduct authorized health service fees from mandate-related costs claimed. To properly calculate authorized health service fees, we recommend that the district identify the number of enrolled students based on CCCCO data element STD7, codes A through G. We also recommend that the district identify the number of apprenticeship program enrollees based on data elements SB23, code 1, and STD7, codes A through G. The district should eliminate duplicate entries for students who attend more than one of the district's colleges. In addition, we recommend that the district maintain documentation that identifies any students that the district excludes from the health service fee based on Education Code section 76355, subdivision (c)(1). If the district denies health services to any portion of its student population, it should maintain contemporaneous documentation of a district policy that excludes those students and documentation identifying the number of students excluded.