

Memorandum

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

Date: July 17, 2009

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

Subject: CABRILLO 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 Cabrillo 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 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 \$491,973 for the mandated program. Our review disclosed that \$351,352 is allowable and \$140,621 is unallowable. The costs are unallowable because the district understated authorized health service fees, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$149,302. Our review disclosed that \$119,197 is allowable. The State should offset \$30,105 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 \$232,155 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 L. 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/sk

Attachments

Re: S09-MCC-909

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	\$ 412,736	\$ 412,736	\$ —
Indirect costs	41,273	41,273	—
Total direct and indirect costs	454,009	454,009	—
Less authorized health service fees	(304,707)	(334,812)	(30,105)
Total program costs	<u>\$ 149,302</u>	119,197	<u>\$ (30,105)</u>
Less amount paid by the State		(149,302)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (30,105)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs	\$ 386,755	\$ 386,755	\$ —
Indirect costs	38,675	38,675	—
Total direct and indirect costs	425,430	425,430	—
Less authorized health service fees	(294,132)	(309,321)	(15,189)
Less offsetting savings/reimbursements	(17,849)	(17,849)	—
Total program costs	<u>\$ 113,449</u>	98,260	<u>\$ (15,189)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 98,260</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs	\$ 366,111	\$ 366,111	—
Indirect costs	25,628	25,628	—
Total direct and indirect costs	391,739	391,739	—
Less authorized health service fees	(321,179)	(328,641)	(7,462)
Less offsetting savings/reimbursements	(9,336)	(9,336)	—
Total program costs	<u>\$ 61,224</u>	53,762	<u>\$ (7,462)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 53,762</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	\$ 380,901	\$ 380,901	\$ —
Indirect costs	26,663	26,663	—
Total direct and indirect costs	407,564	407,564	—
Less authorized health service fees	(346,387)	(429,303)	(82,916)
Subtotal	61,177	(21,739)	(82,916)
Review adjustments that exceed costs claimed	—	21,739	21,739
Total program costs	<u>\$ 61,177</u>	—	<u>\$ (61,177)</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	\$ 484,536	\$ 484,536	\$ —
Indirect costs	137,172	137,172	—
Total direct and indirect costs	621,708	621,708	—
Less authorized health service fees	(514,887)	(541,575)	(26,688)
Total program costs	<u>\$ 106,821</u>	80,133	<u>\$ (26,688)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 80,133</u>	
<u>Summary: July 1, 2002, through June 30, 2007</u>			
Direct costs	\$ 2,031,039	\$ 2,031,039	\$ —
Indirect costs	269,411	269,411	—
Total direct and indirect costs	2,300,450	2,300,450	—
Less authorized health service fees	(1,781,292)	(1,943,652)	(162,360)
Less offsetting savings/reimbursements	(27,185)	(27,185)	—
Subtotal	491,973	329,613	(162,360)
Review adjustments that exceed costs claimed	—	21,739	21,739
Total program costs	<u>\$ 491,973</u>	351,352	<u>\$ (140,621)</u>
Less amount paid by the State		(149,302)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 202,050</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 \$162,360.

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 of 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 fee per student:

Fiscal Year	Authorized Health Fee Rate	
	Fall and Spring Semesters	Summer Session and Winter Intersession
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:

	<u>Summer Session</u>	<u>Fall Semester</u>	<u>Winter Intersession</u>	<u>Spring Semester</u>	<u>Total</u>
Fiscal Year 2002-03:					
Number of enrolled students	4,510	15,137	1,740	16,044	
Less number of BOGG recipients	<u>(930)</u>	<u>(3,317)</u>	<u>(528)</u>	<u>(3,557)</u>	
Subtotal	3,580	11,820	1,212	12,487	
Authorized health fee rate	× \$ (9)	× \$ (12)	× \$ (9)	× \$ (12)	
Authorized health service fees	<u>\$ (32,220)</u>	<u>\$ (141,840)</u>	<u>\$ (10,908)</u>	<u>\$ (149,844)</u>	\$ (334,812)
Less authorized health service fees claimed					<u>304,707</u>
Review adjustment, FY 2002-03					<u>(30,105)</u>
Fiscal Year 2003-04:					
Number of enrolled students	4,690	14,798	2,105	15,053	
Less number of BOGG recipients	<u>(1,072)</u>	<u>(3,818)</u>	<u>(738)</u>	<u>(3,995)</u>	
Subtotal	3,618	10,980	1,367	11,058	
Authorized health fee rate	× \$ (9)	× \$ (12)	× \$ (9)	× \$ (12)	
Authorized health service fees	<u>\$ (32,562)</u>	<u>\$ (131,760)</u>	<u>\$ (12,303)</u>	<u>\$ (132,696)</u>	(309,321)
Less authorized health service fees claimed					<u>294,132</u>
Review adjustment, FY 2003-04					<u>(15,189)</u>
Fiscal Year 2004-05:					
Number of enrolled students	5,231	14,555	1,952	15,291	
Less number of BOGG recipients	<u>(1,242)</u>	<u>(4,130)</u>	<u>(789)</u>	<u>(4,399)</u>	
Subtotal	3,989	10,425	1,163	10,892	
Authorized health fee rate	× \$ (10)	× \$ (13)	× \$ (10)	× \$ (13)	
Authorized health service fees	<u>\$ (39,890)</u>	<u>\$ (135,525)</u>	<u>\$ (11,630)</u>	<u>\$ (141,596)</u>	(328,641)
Less authorized health service fees claimed					<u>321,179</u>
Review adjustment, FY 2004-05					<u>(7,462)</u>
Fiscal Year 2005-06:					
Number of enrolled students	5,219	15,043	1,970	15,189	
Less number of BOGG recipients	<u>(1,330)</u>	<u>(4,171)</u>	<u>—</u>	<u>—</u>	
Subtotal	3,889	10,872	1,970	15,189	
Authorized health fee rate	× \$ (11)	× \$ (14)	× \$ (11)	× \$ (14)	
Authorized health service fees	<u>\$ (42,779)</u>	<u>\$ (152,208)</u>	<u>\$ (21,670)</u>	<u>\$ (212,646)</u>	(429,303)
Less authorized health service fees claimed					<u>346,387</u>
Review adjustment, FY 2005-06					<u>(82,916)</u>
Fiscal Year 2006-07:					
Number of enrolled students	5,626	14,947	2,044	15,022	
Authorized health fee rate	× \$ (12)	× \$ (15)	× \$ (12)	× \$ (15)	
Authorized health service fees	<u>\$ (67,512)</u>	<u>\$ (224,205)</u>	<u>\$ (24,528)</u>	<u>\$ (225,330)</u>	(541,575)
Less authorized health service fees claimed					<u>514,887</u>
Review adjustment, FY 2006-07					<u>(26,688)</u>
Total review adjustment					<u>\$ (162,360)</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 CCCCCO data element STD7, codes A through G. We also recommend that the district identify the number of apprenticeship program enrollees based on data elements SB 23, 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 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.