



**JOHN CHIANG**  
**California State Controller**

August 23, 2012

Jon Sharpe, Interim Chancellor  
Los Rios Community College District  
1919 Spanos Court  
Sacramento, CA 95825

Dear Mr. Sharpe:

The State Controller's Office reviewed the costs claimed by Los Rios Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2008, through June 30, 2009. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed and was paid \$835,162 for the mandated program. Our review disclosed that \$4,587 is allowable and \$830,575 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. The State will offset \$830,575 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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/vb

Attachments

RE: S12-MCC-919

cc: Carrie Bray, Director, Accounting Services  
Los Rios Community College District  
Ed Hanson, Principal Program Budget Analyst  
Education Systems Unit, Department of Finance  
Christine Atalig, Auditor, Fiscal Services Unit  
California Community Colleges Chancellor's Office  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

**Attachment 1—  
Summary of Program Costs  
July 1, 2008, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>			
Athlete physicals:			
Direct costs	\$ 3,348	\$ 3,348	\$ —
Indirect costs	1,239	1,239	—
Total program costs, athlete physicals	<u>4,587</u>	<u>4,587</u>	<u>—</u>
All other health services:			
Direct costs	617,533	617,533	—
Indirect costs	228,611	228,611	—
Total direct and indirect costs	846,144	846,144	—
Less authorized health service fees	—	(3,166,366)	(3,166,366)
Less offsetting savings	(7,763)	(7,763)	—
Less other reimbursements	(7,806)	(7,806)	—
Subtotal	830,575	(2,335,791)	(3,166,366)
Review adjustments that exceed costs claimed	—	2,335,791	2,335,791
Total program costs, all other health services	<u>830,575</u>	<u>—</u>	<u>(830,575)</u>
Total program costs	<u>\$ 835,162</u>	4,587	<u>\$ (830,575)</u>
Less amount paid by the State		<u>(835,162)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (830,575)</u>	

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

## Attachment 2— Finding and Recommendation July 1, 2008, through June 30, 2009

**FINDING—  
Understated authorized  
health service fees**

The district understated authorized health service fees by \$3,166,366.

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.

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, or (2) are attending a community college under an approved apprenticeship training program. The California Community Colleges Chancellor’s Office (CCCCO) identified the fees authorized by Education Code section 76355, subdivision (a). For fiscal year 2008-09, the authorized health fee rates were \$14 for the Summer Session and \$17 for the Fall and Spring Semesters.

We obtained student enrollment and apprenticeship program enrollment data from the CCCCCO. The CCCCCO identified enrollment 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.

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

	Period			Total
	Summer Session	Fall Semester	Spring Semester	
Fiscal Year 2008-09:				
Number of enrolled students	34,941	81,219	82,098	
Less number of apprenticeship program enrollees	<u>(1,518)</u>	<u>(2,386)</u>	<u>(2,199)</u>	
Subtotal	33,423	78,833	79,899	
Authorized health fee rate	× \$(14)	× \$(17)	× \$(17)	
Authorized health service fees	<u>\$ (467,922)</u>	<u>\$ (1,340,161)</u>	<u>\$ (1,358,283)</u>	\$ (3,166,366)
Less authorized health service fees claimed				<u>—</u>
Review adjustment				<u>\$ (3,166,366)</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 that the district maintain documentation that identifies any students the district excludes from the health service fee based on Education Code section 76355, subdivision (c)(1).