

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT

Audit Report

HEALTH FEE ELIMINATION PROGRAM

Chapter 1, Statutes of 1984, 2nd Extraordinary Session,
and Chapter 1118, Statutes of 1987

July 1, 2001, through June 30, 2005



JOHN CHIANG
California State Controller

December 2008



JOHN CHIANG
California State Controller

December 31, 2008

Bill Garrett, President
Governing Board
Grossmont-Cuyamaca Community College District
8800 Grossmont College Drive
El Cajon, CA 92020-1799

Dear Mr. Garrett:

The State Controller's Office audited the costs claimed by the Grossmont-Cuyamaca 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, 2001, through June 30, 2005.

The district claimed \$3,095,981 (\$3,097,981 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,017,912 is allowable and \$2,078,069 is unallowable. The costs are unallowable because the district overstated direct costs, overstated indirect costs, understated offsetting revenues, and claimed costs for services that exceeded base year services provided. The State paid the district \$1,517,815. The amount paid exceeds allowable costs claimed by \$499,903.

If you disagree with the audit findings, 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 CSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

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/wm

cc: Sue Rearic, CPA

Vice Chancellor, Business Services

Grossmont-Cuyamaca Community College District

Ben Lastimado, Ed.D., Vice Chancellor

Human Resources and Labor Relations

Grossmont-Cuyamaca Community College District

Bernadette Sampson, Associate Vice Chancellor

Business Services

Grossmont-Cuyamaca Community College District

Kuldeep Kaur, Specialist

Fiscal Planning and Administration

California Community Colleges Chancellor's Office

Jeannie Oropeza, Program Budget Manager

Education Systems Unit

Department of Finance

Contents

Audit Report

| | |
|---|----------|
| Summary | 1 |
| Background | 1 |
| Objective, Scope, and Methodology | 2 |
| Conclusion | 2 |
| Views of Responsible Official | 3 |
| Restricted Use | 3 |
| Schedule 1—Summary of Program Costs..... | 4 |
| Findings and Recommendations | 7 |
| Attachment—District’s Response to Draft Audit Report | |

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Grossmont-Cuyamaca 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, 2001, through June 30, 2005.

The district claimed \$3,095,981 (\$3,097,981 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,017,912 is allowable and \$2,078,069 is unallowable. The costs are unallowable because the district overstated direct costs, overstated indirect costs, understated offsetting revenues, and claimed costs for services that exceeded base year services provided. The State paid the district \$1,517,815. The amount paid exceeds allowable costs claimed by \$499,903.

Background

Chapter 1, Statutes of 1984, 2nd Extraordinary Session repealed Education Code section 72246 which authorized community college districts to charge a health fee for providing health supervision and services, providing medical and hospitalization services, and operating student health centers. This statute also required that health services for which a community college district charged a fee during fiscal year (FY) 1983-84 had to be maintained at that level in FY 1984-85 and every year thereafter. The provisions of this statute would automatically sunset on December 31, 1987, reinstating the community college districts' authority to charge a health service fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 (subsequently renumbered as section 76355 by Chapter 8, Statutes of 1993). The law requires any community college district that provided health services in FY 1986-87 to maintain health services at the level provided during that year for FY 1987-88 and for each fiscal year thereafter.

On November 20, 1986, the Commission on State Mandates (CSM) determined that Chapter 1, Statutes of 1984, 2nd Extraordinary Session imposed a "new program" upon community college districts by requiring specified community college districts that provided health services in FY 1983-84 to maintain health services at the level provided during that year for FY 1984-85 and for each fiscal year thereafter. This maintenance-of-effort requirement applied to all community college districts that levied a health service fee in FY 1983-84.

On April 27, 1989, the CSM determined that Chapter 1118, Statutes of 1987, amended this maintenance-of-effort requirement to apply to all community college districts that provided health services in FY 1986-87, requiring them to maintain that level in FY 1987-88 and for each fiscal year thereafter.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted parameters and guidelines on August 27, 1987, and amended them on May 25, 1989. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Health Fee Elimination Program for the period of July 1, 2001, through June 30, 2005.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the 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 gain an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Grossmont-Cuyamaca Community College District claimed \$3,095,981 (\$3,097,981 less a \$2,000 penalty for filing late claims) for costs of the Health Fee Elimination Program. Our audit disclosed that \$1,017,912 is allowable and \$2,078,069 is unallowable.

For the fiscal year (FY) 2001-02 claim, the State paid the district \$740,467. Our audit disclosed that \$226,532 is allowable. The State will offset \$513,935 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2002-03 claim, the State paid the district \$777,348. Our audit disclosed that \$219,873 is allowable. The State will offset \$557,475 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State made no payment to the district. Our audit disclosed that \$226,748 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State made no payment to the district. Our audit disclosed that \$344,759 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on November 19, 2008. Sue Rearic, Vice Chancellor-Business Services, responded by letter dated December 16, 2008 (Attachment). The district disagrees overall with the audit findings, but “accepts” all findings except Finding 2.

Restricted Use

This report is solely for the information and use of the Grossmont-Cuyamaca 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
Chief, Division of Audits

December 31, 2008

**Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2005**

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2001, through June 30, 2002</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 881,740 | \$ 639,645 | \$ (242,095) | Findings 1, 2 |
| Services and supplies | 50,155 | 58,939 | 8,784 | Findings 3, 4 |
| Less cost of services that exceed services provided in FY 1986-87 base year | <u>(10,171)</u> | <u>—</u> | <u>10,171</u> | Finding 5 |
| Total direct costs | 921,724 | 698,584 | (223,140) | |
| Indirect costs | <u>299,192</u> | <u>128,821</u> | <u>(170,371)</u> | Findings 1-6 |
| Total direct and indirect costs | 1,220,916 | 827,405 | (393,511) | |
| Less authorized health service fees | (465,706) | (588,570) | (122,864) | Finding 7 |
| Less offsetting savings/reimbursements | (13,743) | (11,303) | 2,440 | Finding 8 |
| Less late filing penalty | <u>(1,000)</u> | <u>(1,000)</u> | <u>—</u> | |
| Total program costs | <u>\$ 740,467</u> | 226,532 | <u>\$ (513,935)</u> | |
| Less amount paid by the State | | <u>(740,467)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | | <u>\$ (513,935)</u> | |
| <u>July 1, 2002, through June 30, 2003</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 924,506 | \$ 679,429 | \$ (245,077) | Findings 1, 2 |
| Services and supplies | 56,592 | 62,297 | 5,705 | Findings 3, 4 |
| Mathematical error | (100) | — | 100 | |
| Less cost of services that exceed services provided in FY 1986-87 base year | <u>(9,001)</u> | <u>—</u> | <u>9,001</u> | Finding 5 |
| Total direct costs | 971,997 | 741,726 | (230,271) | |
| Indirect costs | <u>298,306</u> | <u>158,136</u> | <u>(140,170)</u> | Findings 1-6 |
| Total direct and indirect costs | 1,270,303 | 899,862 | (370,441) | |
| Less authorized health service fees | (478,211) | (667,470) | (189,259) | Finding 7 |
| Less offsetting savings/reimbursements | <u>(14,744)</u> | <u>(12,519)</u> | <u>2,225</u> | Finding 8 |
| Total program costs | <u>\$ 777,348</u> | 219,873 | <u>\$ (557,475)</u> | |
| Less amount paid by the State | | <u>(777,348)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | | <u>\$ (557,475)</u> | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2003, through June 30, 2004</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 900,119 | \$ 685,028 | \$ (215,091) | Findings 1, 2 |
| Services and supplies | 30,198 | 64,240 | 34,042 | Findings 3, 4 |
| Less cost of services that exceed services provided in FY 1986-87 base year | <u>(891)</u> | <u>(891)</u> | <u>—</u> | |
| Total direct costs | 929,426 | 748,377 | (181,049) | |
| Indirect costs | <u>311,915</u> | <u>156,560</u> | <u>(155,355)</u> | Findings 1-4, 6 |
| Total direct and indirect costs | 1,241,341 | 904,937 | (336,404) | |
| Less authorized health service fees | (469,308) | (663,090) | (193,782) | Finding 7 |
| Less offsetting savings/reimbursements | <u>(16,949)</u> | <u>(15,099)</u> | <u>1,850</u> | Finding 8 |
| Total program costs | <u>\$ 755,084</u> | 226,748 | <u>\$ (528,336)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 226,748</u> | | |
| <u>July 1, 2004, through June 30, 2005</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 963,269 | \$ 685,807 | \$ (277,462) | Findings 1, 2 |
| Services and supplies | 73,354 | 84,937 | 11,583 | Finding 4 |
| Less cost of services that exceed services provided in FY 1986-87 base year | <u>(79,890)</u> | <u>—</u> | <u>79,890</u> | Finding 5 |
| Total direct costs | 956,733 | 770,744 | (185,989) | |
| Indirect costs | <u>342,892</u> | <u>276,234</u> | <u>(66,658)</u> | Findings 1-6 |
| Total direct and indirect costs | 1,299,625 | 1,046,978 | (252,647) | |
| Less authorized health service fees | (462,023) | (685,020) | (222,997) | Finding 7 |
| Less offsetting savings/reimbursements | (13,520) | (16,199) | (2,679) | Finding 8 |
| Less late filing penalty | <u>(1,000)</u> | <u>(1,000)</u> | <u>—</u> | |
| Total program costs | <u>\$ 823,082</u> | 344,759 | <u>\$ (478,323)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 344,759</u> | | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|----------------------|------------------------|
| <u>Summary: July 1, 2001, through June 30, 2005</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 3,669,634 | \$ 2,689,909 | \$ (979,725) | |
| Services and supplies | 210,299 | 270,413 | 60,114 | |
| Mathematical error | (100) | — | 100 | |
| Less cost of services that exceed services provided in FY 1986-87 base year | <u>(99,953)</u> | <u>(891)</u> | <u>99,062</u> | |
| Total direct costs | 3,779,880 | 2,959,431 | (820,449) | |
| Indirect costs | <u>1,252,305</u> | <u>719,751</u> | <u>(532,554)</u> | |
| Total direct and indirect costs | 5,032,185 | 3,679,182 | (1,353,003) | |
| Less authorized health service fees | (1,875,248) | (2,604,150) | (728,902) | |
| Less offsetting savings/reimbursements | (58,956) | (55,120) | 3,836 | |
| Less late filing penalty | <u>(2,000)</u> | <u>(2,000)</u> | <u>—</u> | |
| Total program costs | <u>\$ 3,095,981</u> | 1,017,912 | <u>\$(2,078,069)</u> | |
| Less amount paid by the State | | <u>(1,517,815)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (499,903)</u> | | |

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable nurse, nurse practitioner, and nursing instructor salaries and benefits

The district claimed unallowable salaries and benefits totaling \$84,807. The related indirect costs total \$28,565. The district claimed costs attributable to services that it did not provide in the fiscal year (FY) 1986-87 base year.

In its mandated cost claims, the district reported that it provided the service of registered nurse appointments during the audit period. However, the district also reported that it did not provide this service during FY 1986-87. The district provided Grossmont College's annual service logs for the audit period. These service logs confirmed that the college provided the service of registered nurse appointments, which the college identified as "Nurse Visits" and "Nurse Practitioner/Doctor Visits." District staff confirmed that these services were separate from other services provided and were related to medical services that only a registered nurse could provide.

The district did not provide records showing the actual time that registered nurses spent performing individual mandate-related activities. As a result, we used Grossmont College's annual service logs to calculate the percentage of nurse visits and nurse practitioner/doctor visits versus total health services that the college provided for each fiscal year. To calculate unallowable costs, we applied these percentages to the salaries and benefits that the district claimed for Grossmont College's nurses, nurse practitioners, and nursing instructors.

The following table summarizes the audit adjustment:

| | Fiscal Year | | | | Total |
|---|-------------|-------------|-------------|-------------|--------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | |
| <u>Nurses, Nurse Practitioners, and Nursing Instructors</u> | | | | | |
| Salaries and benefits claimed | \$ 97,214 | \$ 69,155 | \$ 106,923 | \$ 97,577 | |
| Percentage of unallowable services provided | × (20.77)% | × (20.05)% | × (17.76)% | × (32.55)% | |
| Unallowable salaries and benefits | (20,191) | (13,865) | (18,990) | (31,761) | |
| Indirect cost rate claimed | × 32.46% | × 30.69% | × 33.56% | × 35.84% | |
| Unallowable indirect costs | (6,554) | (4,255) | (6,373) | (11,383) | \$ (28,565) |
| Unallowable salaries and benefits | (20,191) | (13,865) | (18,990) | (31,761) | (84,807) |
| Audit adjustment | \$ (26,745) | \$ (18,120) | \$ (25,363) | \$ (43,144) | \$ (113,372) |

The program's parameters and guidelines state, "Only services provided in 1986-87 fiscal year may be claimed." Regarding claimed salaries and benefits, they require the district to "describe the mandated functions performed and specify the actual number of hours devoted to each function."

In addition, the parameters and guidelines state “All costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. This would include documentation for the fiscal year 1986-87 program to substantiate a maintenance of effort.”

Recommendation

We recommend that the district claim only those services that it provided during the FY 1986-87 base year. We also recommend that the district maintain actual time records for nurses, nurse practitioners, and nursing instructors to identify actual time spent performing individual mandate-related activities.

District’s Response

Given that documentation was unavailable, the District accepts this finding.

**FINDING 2—
Overstated counseling-
related salaries and
benefits**

The district overstated its counseling-related salaries and benefits by \$894,918. The related indirect costs total \$296,859.

The district claimed both “health-related counseling” and “Disabled Student Program Services (DSPS) counseling” costs for each college and fiscal year. Based on the claiming methodology that the district identified, claimed costs did not reconcile with its financial records for 10 of the 16 individual amounts claimed during the audit period.

In addition, the district did not support the methodology it used to claim counseling costs. The district claimed a percentage of salaries and benefits for its counseling department and DSPS department. However, the district did not provide any documentation supporting the percentages claimed.

During our audit fieldwork, the district elected to perform a time study to support the counseling-related salaries and benefits that it claimed. The district’s time study plan identified the time study period as October 1, 2007, through October 12, 2007. The district submitted its time study logs on January 11, 2008.

The district’s time study logs did not conform to its time study plan and did not adequately support time spent performing mandate-related activities for the following reasons:

- Counselors did not identify the total number of hours worked during each day.
- The district disclosed that some counselors have additional responsibilities besides student counseling. However, counselors did not identify the number of hours that they were available for student counseling on their time study logs.
- Most counselors did not adhere to the planned time study period. Six counselors participated in the time study. Two counselors submitted time logs for periods completely outside of the time study period that the district identified. One counselor submitted time logs for a period that partially overlapped the time study period. Two counselors did not submit time logs for each day within the time study period.

The district submitted corroborating documentation to support the time study logs, which consisted of the counselors’ daily schedules. Counselors used these schedules to book student counseling appointments. The schedules documented counselors’ work-day activities in half-hour increments and identified the amount of time that counselors were available for student contact.

We used the time study logs and daily schedules to calculate the percentage of time that counselors performed mandate-related activities during the time study period.

The following table summarizes the percentage of time spent on mandate-related activities for each college:

| | Hours Available for Student Contact | Mandate-Related Hours | Percentage of Mandate-Related Time |
|--|-------------------------------------|-----------------------|------------------------------------|
| <u>October 1, 2007, through October 12, 2007</u> | | | |
| Grossmont College: | | | |
| Counselor No. 1 | 50.50 | 2.45 | |
| Counselor No. 2 | 41.00 | 0.96 | |
| Counselor No. 3 | 38.00 | — | |
| Counselor No. 4 | 23.00 | — | |
| Total, Grossmont College | <u>152.50</u> | <u>3.41</u> | <u>2.23%</u> |
| Cuyamaca College: | | | |
| Counselor No. 5 | 32.50 | 15.00 | |
| Counselor No. 6 | 23.00 | 5.38 | |
| Total, Cuyamaca College | <u>55.50</u> | <u>20.38</u> | <u>36.71%</u> |

To calculate allowable counseling-related salaries and benefits, we applied these percentages to total counseling-related salaries and benefits that the district documented in its general ledger. The audit adjustment resulted from the difference between allowable counseling-related salaries and benefits and claimed counseling-related salaries and benefits.

The following table summarizes the audit adjustment:

| | Fiscal Year | | | | Total |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | |
| <u>Grossmont College</u> | | | | | |
| Total counseling-related salaries and benefits | \$1,289,616 | \$1,350,057 | \$1,239,961 | \$ 951,837 | |
| Percentage of mandate-related time | × 2.23% | × 2.23% | × 2.23% | × 2.23% | |
| Allowable counseling-related salaries and benefits | <u>28,758</u> | <u>30,106</u> | <u>27,651</u> | <u>21,226</u> | |
| <u>Cuyamaca College</u> | | | | | |
| Total counseling-related salaries and benefits | 571,503 | 623,873 | 693,210 | 613,421 | |
| Percentage of mandate-related time | × 36.71% | × 36.71% | × 36.71% | × 36.71% | |
| Allowable counseling-related salaries and benefits | <u>209,799</u> | <u>229,024</u> | <u>254,478</u> | <u>225,187</u> | |
| Total allowable counseling-related salaries and benefits | 238,557 | 259,130 | 282,129 | 246,413 | \$ 1,026,229 |
| Less claimed counseling-related salaries and benefits | <u>(460,461)</u> | <u>(490,342)</u> | <u>(478,230)</u> | <u>(492,114)</u> | <u>(1,921,147)</u> |
| Audit adjustment, salaries and benefits | <u>\$ (221,904)</u> | <u>\$ (231,212)</u> | <u>\$ (196,101)</u> | <u>\$ (245,701)</u> | <u>\$ (894,918)</u> |

The following table summarizes the audit adjustment for the related indirect costs:

| | Fiscal Year | | | | Total |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | |
| Unallowable salaries and benefits | \$(221,904) | \$(231,212) | \$(196,101) | \$(245,701) | |
| Indirect cost rate claimed | × 32.46% | × 30.69% | × 33.56% | × 35.84% | |
| Audit adjustment, indirect costs | <u>\$ (72,030)</u> | <u>\$ (70,959)</u> | <u>\$ (65,811)</u> | <u>\$ (88,059)</u> | <u>\$(296,859)</u> |

The parameters and guidelines state that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. The parameters and guidelines identify the following documentation requirements for salaries and benefits:

Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

Recommendation

We recommend that the district maintain documentation that supports claimed counseling-related salaries and benefits. The district should maintain records that document actual time spent on mandate-related activities or claim the average number of hours that is supported by a documented time study.

District's Response

The review required a time study to substantiate the claim. This time study was performed and, unfortunately, due to a combination of union vs. District and accreditation pressures, counselors were unable to timely and completely finish the study. The district requests a new study to be performed to not only help substantiate these claims, but to set the rates for the 2005/06 claim previously filed (to be amended as a result of this process) and for future claims.

SCO's Comment

Our finding and recommendation are unchanged. During the audit exit conference held on September 29, 2008, we advised the district that it may conduct a second time study to validate counseling-related salaries and benefits claimed. The district's second time study must meet the following minimum requirements:

- All district counselors must participate in the second time study.
- The district must perform the time study for a minimum of four weeks. All counselors must participate during the same four-week period.

- The district's time study logs must identify the total number of hours worked during each day by each counselor.
- The time study logs must identify the total number of hours that each counselor was available for student counseling each day.
- For each student counseling appointment, the time study logs must show the percentage of appointment time that was attributable to mandate-related activities.
- The time study logs must be traceable to counselors' appointment notes that validate the percentage of mandate-related time indicated.

If the district submits revised time study results, we will review the documentation and revise our final audit report as warranted.

The district states that it will amend its FY 2005-06 claim previously filed. However, the district may not amend its FY 2005-06 claim. Government Code section 17561 specifies that the district must submit a reimbursement claim no later than one year after the filing deadline specified in the SCO's claiming instructions. For the district's FY 2005-06 claim, that deadline expired on January 15, 2008.

**FINDING 3—
Unsupported services
and supplies—
health fair costs**

The district claimed unallowable services and supplies totaling \$5,289 for health fair costs. The related indirect costs total \$1,669. The district did not provide any documentation supporting these costs.

The parameters and guidelines state that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.

The following table summarizes the audit adjustment:

| | Fiscal Year | | Total |
|-----------------------|-------------------|-------------------|-------------------|
| | 2001-02 | 2002-03 | |
| Services and supplies | \$ (2,601) | \$ (2,688) | \$ (5,289) |
| Indirect costs | (844) | (825) | (1,669) |
| Audit adjustment | <u>\$ (3,445)</u> | <u>\$ (3,513)</u> | <u>\$ (6,958)</u> |

Recommendation

We recommend that the district maintain documentation to support claimed costs in accordance with the parameters and guidelines.

District’s Response

Documentation to the extent required by the State Controller’s Office was unavailable due to the retention of workpapers by SixTen; therefore, the District accepts this finding.

**FINDING 4—
Understated services
and supplies—student
insurance costs**

The district understated allowable services and supplies by \$65,403 for costs related to student insurance. The related indirect costs total \$21,878.

The district provided documentation that it received from its insurance company. The documentation showed the district's actual mandate-related student insurance costs. The actual costs exceeded the amounts that the district claimed for each fiscal year.

The following table summarizes the audit adjustment:

| | Fiscal Year | | | | Total |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | |
| Services and supplies | \$ 11,385 | \$ 8,393 | \$ 34,042 | \$ 11,583 | \$ 65,403 |
| Indirect costs | 3,696 | 2,607 | 11,424 | 4,151 | 21,878 |
| Audit adjustment | <u>\$ 15,081</u> | <u>\$ 11,000</u> | <u>\$ 45,466</u> | <u>\$ 15,734</u> | <u>\$ 87,281</u> |

For services and supplies, the parameters and guidelines state that the district may claim expenditures that can be identified as direct costs of the mandated program. They also state that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.

Recommendation

We recommend that the district claim actual mandate-related costs that are supported by its accounting records and source documentation.

District's Response

The review found the District's claim understated the allowable amount for student insurance. The District accepts this favorable finding.

**FINDING 5—
Erroneous excess
service costs claimed**

The district incorrectly reduced direct costs claimed by \$99,062 for the cost of services that exceed services provided in the FY 1986-87 base year (excess service costs). The related indirect costs total \$34,697.

Fiscal Years 2001-02 and 2002-03

The district erroneously claimed \$19,172 in Wellness Immunization Program expenditures as excess service costs. The district separately accounts for Wellness Immunization Program revenues and expenditures. The district did not include these costs in the direct costs that it reported on its mandated program claims. Therefore, the district should not deduct the costs as excess service costs.

Fiscal Year 2004-05

The district incorrectly claimed excess service costs totaling \$79,890. The erroneous claimed costs resulted because of the following:

- The district incorrectly reported transfers from its general fund to its health fund, totaling \$79,135, as excess service costs.
- The district twice reported \$300 in miscellaneous fees collected; once as excess service costs and again as offsetting savings/reimbursements. The district should report these fees only as offsetting savings/reimbursements.
- The district did not provide any documentation to support the remaining \$455 reported as excess service costs.

The parameters and guidelines state that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.

The following table summarizes the audit adjustment:

| | Fiscal Year | | | | Total |
|----------------------|-------------|-----------|---------|------------|------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | |
| Excess service costs | \$ 10,171 | \$ 9,001 | \$ — | \$ 79,890 | \$ 99,062 |
| Indirect costs | 3,302 | 2,762 | — | 28,633 | 34,697 |
| Audit adjustment | \$ 13,473 | \$ 11,763 | \$ — | \$ 108,523 | \$ 133,759 |

Recommendation

We recommend that the district claim actual costs in accordance with the parameters and guidelines.

District's Response

The District accepts this favorable finding.

**FINDING 6—
Unallowable indirect
costs**

The district claimed unallowable indirect costs totaling \$262,036. The unallowable costs resulted because the district overstated its allowable indirect cost rates.

The district prepared its FY 2001-02, FY 2002-03, and FY 2003-04 indirect cost rate proposals (ICRPs) using the methodology from Office of Management and Budget (OMB) Circular A-21 (Title 2, Code of Federal Regulations, Part 220). However, the district did not obtain federal approval for these ICRPs. Therefore, we calculated allowable indirect cost rates using the FAM-29C methodology that the SCO's claiming instructions allow. The following table summarizes the claimed and allowable indirect cost rates and the resulting audit adjustment:

| | Fiscal Year | | | Total |
|---------------------------------|-------------|-------------|-------------|-------------|
| | 2001-02 | 2002-03 | 2003-04 | |
| Allowable indirect cost rate | 18.44% | 21.32% | 20.92% | |
| Less claimed indirect cost rate | × (32.46)% | × (30.69)% | ×(33.56)% | |
| Overstated indirect cost rate | (14.02)% | (9.37)% | (12.64)% | |
| Allowable direct costs claimed | × \$698,584 | × \$741,726 | × \$748,377 | |
| Audit adjustment | \$ (97,941) | \$ (69,500) | \$ (94,595) | \$(262,036) |

The parameters and guidelines state that “indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.” The SCO's claiming instructions state that districts must obtain federal approval for an ICRP prepared in accordance with OMB Circular A-21. Alternatively, the district may compute an indirect cost rate using Form FAM-29C, which is based on total fiscal year expenditures that the district reports in the California Community Colleges Annual Financial and Budget Report, Expenditures by Activity (CCFS-311).

Recommendation

We recommend that the district claim indirect costs based on indirect cost rates computed in accordance with the SCO's claiming instructions. The district should prepare its ICRPs using SCO's Form FAM-29C.

District's Response

The indirect costs claimed in years impacted by this finding were filed based on SixTen's application of the indirect cost rate procedures. The District accepts this finding.

**FINDING 7—
Understated authorized
health service fees**

The district understated authorized health service fees by \$728,902. The district reported actual health service fees that it collected rather than authorized health service fees.

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 (CSM) 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 audit period, 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. The California Community Colleges Chancellor’s Office (CCCCO) identified the fees authorized by Education Code section 76355, subdivision (a). For FY 2001-02, FY 2002-03, and FY 2003-04, the authorized fees were \$12 per semester and \$9 per summer session. For FY 2004-05, the authorized fees were \$13 per semester and \$10 per summer session.

We obtained student 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. The CCCCCO identified the district’s enrollment based on its MIS data element STD7, codes A through G. The CCCCCO eliminated any duplicate students based on their social security numbers. From the district enrollment, the CCCCCO identified the number of BOGG recipients based on MIS data element SF21, all codes with first letter of B or F. The district does not have an apprenticeship program and it did not identify any students who it excluded from the health service fee pursuant to Education Code section 76355, subdivision (c)(1).

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

| | Semester | | | Total |
|---|--------------------|---------------------|---------------------|------------------|
| | Summer | Fall | Spring | |
| <u>Fiscal Year 2001-02</u> | | | | |
| Student enrollment | 11,245 | 28,292 | 30,921 | |
| BOGG recipients | (2,607) | (8,322) | (8,322) | |
| Number of students subject to health fee | 8,638 | 19,970 | 22,599 | |
| Authorized health service fee rate | \$ (9) | \$ (12) | \$ (12) | |
| Authorized health service fees | <u>\$ (77,742)</u> | <u>\$ (239,640)</u> | <u>\$ (271,188)</u> | \$ (588,570) |
| Less authorized health service fees claimed | | | | <u>465,706</u> |
| Audit adjustment, FY 2001-02 | | | | <u>(122,864)</u> |

| | Semester | | | Total |
|---|--------------------|---------------------|---------------------|---------------------|
| | Summer | Fall | Spring | |
| <u>Fiscal Year 2002-03</u> | | | | |
| Student enrollment | 12,613 | 30,159 | 30,684 | |
| BOGG recipients | <u>(2,607)</u> | <u>(6,343)</u> | <u>(6,382)</u> | |
| Number of students subject to health fee | 10,006 | 23,816 | 24,302 | |
| Authorized health service fee rate | <u>\$ (9)</u> | <u>\$ (12)</u> | <u>\$ (12)</u> | |
| Authorized health service fees | <u>\$ (90,054)</u> | <u>\$ (285,792)</u> | <u>\$ (291,624)</u> | (667,470) |
| Less authorized health service fees claimed | | | | <u>478,211</u> |
| Audit adjustment, FY 2002-03 | | | | <u>(189,259)</u> |
| <u>Fiscal Year 2003-04</u> | | | | |
| Student enrollment | 12,874 | 29,743 | 30,928 | |
| BOGG recipients | <u>(2,724)</u> | <u>(6,468)</u> | <u>(6,558)</u> | |
| Number of students subject to health fee | 10,150 | 23,275 | 24,370 | |
| Authorized health service fee rate | <u>\$ (9)</u> | <u>\$ (12)</u> | <u>\$ (12)</u> | |
| Authorized health service fees | <u>\$ (91,350)</u> | <u>\$ (279,300)</u> | <u>\$ (292,440)</u> | (663,090) |
| Less authorized health service fees claimed | | | | <u>469,308</u> |
| Audit adjustment, FY 2003-04 | | | | <u>(193,782)</u> |
| <u>Fiscal Year 2004-05</u> | | | | |
| Student enrollment | 11,568 | 28,916 | 30,893 | |
| BOGG recipients | <u>(2,645)</u> | <u>(6,857)</u> | <u>(7,122)</u> | |
| Number of students subject to health fee | 8,923 | 22,059 | 23,771 | |
| Authorized health service fee rate | <u>\$ (10)</u> | <u>\$ (13)</u> | <u>\$ (13)</u> | |
| Authorized health service fees | <u>\$ (89,230)</u> | <u>\$ (286,767)</u> | <u>\$ (309,023)</u> | (685,020) |
| Less authorized health service fees claimed | | | | <u>462,023</u> |
| Audit adjustment, FY 2004-05 | | | | <u>(222,997)</u> |
| Total audit adjustment | | | | <u>\$ (728,902)</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 the CCCCO's MIS data element STD7, codes A through G. In addition, we recommend that the district maintain documentation that identifies the number of students excluded from the health service fee based on Education Code section 76355, subdivision (c)(1). If the district excludes any students from receiving health services, the district should maintain contemporaneous documentation of a district policy that excludes those students and documentation identifying the number of students excluded.

District's Response

The District accepts this finding.

**FINDING 8—
Overstated offsetting
savings/reimbursements**

The district overstated offsetting savings/reimbursements in FY 2001-02, FY 2002-03, and FY 2003-04 and understated offsetting savings/reimbursements in FY 2004-05. This resulted in net overstated offsetting savings/reimbursements totaling \$3,836 for the audit period.

For FY 2001-02, FY 2002-03, and FY 2003-04, the district claimed offsetting savings/reimbursements based on amounts shown in each college's Supplies and Materials Abatement Account within the health services fund. However, the abatement accounts include fund transfers from the district office. The district incorrectly included these fund transfers in the amounts it reported as offsetting savings/reimbursements, which resulted in overstated offsetting savings/reimbursements totaling \$6,515.

For FY 2004-05, the district reported an amount for offsetting savings/reimbursements that did not agree with its abatement account records for Grossmont College. The district's records show that it understated the college's offsetting savings/reimbursements by \$2,679.

The following table summarizes the audit adjustment:

| | Fiscal Year | | | | Total |
|---|-----------------|-----------------|-----------------|-------------------|-----------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | |
| Actual offsetting savings/ reimbursements | \$ (11,303) | \$ (12,519) | \$ (15,099) | \$ (16,199) | \$ (55,120) |
| Less claimed offsetting savings/reimbursements | <u>13,743</u> | <u>14,744</u> | <u>16,949</u> | <u>13,520</u> | <u>58,956</u> |
| Audit adjustment | <u>\$ 2,440</u> | <u>\$ 2,225</u> | <u>\$ 1,850</u> | <u>\$ (2,679)</u> | <u>\$ 3,836</u> |

The parameters and guidelines state, "Reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim."

Recommendation

We recommend that the district report all offsetting savings/reimbursements attributable to the health services program.

District's Response

The District accepts this favorable finding.

**OTHER ISSUE—
District’s reliance on
consultant**

The district’s response included comments regarding the district’s reliance on an outside consultant to prepare its mandated cost claims. The district’s response and SCO’s comment are as follows:

District’s Response

The District claimed costs consistent with other community college districts using the professional services of SixTen & Associates. SixTen retained most of the working papers and was unavailable and unwilling to assist during this review as the District discontinued their contract during 2005. All calculations on the claims under review were performed consistent with the methodologies presented by SixTen & Associates based on information they requested.

The District overall respectfully disagrees with these findings. The claims were filed based on our understanding of allowable costs as represented by SixTen. The District does understand, however, that the Controller’s Office requires detailed documentation to support our claims; therefore, we accept that some of the lack of documentation may result in disallowed costs.

SCO’s Comment

Government Code section 17560, subdivision (a), states that a district may file a reimbursement claim that details the costs actually incurred for a fiscal year. The parameters and guidelines state:

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. This would include documentation for the fiscal year 1986-87 program to substantiate a maintenance of effort. *These documents must be kept on file by the agency submitting the claim* [Emphasis added]. . . .

Although the district might rely on an outside consultant for assistance, it is the district’s responsibility to claim actual costs and maintain documentation that supports claimed costs.

**Attachment—
District's Response to
Draft Audit Report**



GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT

Via Fax – 916-324-7223

December 16, 2008

Mr. Jim L. Spano
Chief, Mandated Cost Audits Bureau
State Controller's Office
Division of Audits
P. O. Box 942850
Sacramento, CA 94250-5874

Re: Response to Review of Mandated Costs
Claimed for Health Fee Elimination Program

Dear Mr. Spano:

The Grossmont-Cuyamaca Community College District has received a draft report from your office regarding claims filed for 2001-02 through 2004-05. The District claimed costs consistent with other community college districts using the professional services of SixTen & Associates. SixTen retained most of the working papers and was unavailable and unwilling to assist during this review as the District discontinued their contract during 2005. All calculations on the claims under review were performed consistent with the methodologies presented by SixTen & Associates based on information they requested.

The District overall respectfully disagrees with these findings. The claims were filed based on our understanding of allowable costs as represented by SixTen. The District does understand, however, that the Controller's Office requires detailed documentation to support our claims; therefore, we accept that some of the lack of documentation may result in disallowed costs. We further understand that any financial adjustment will be applied against any future mandated costs disbursement to our district.

Below are specific comments regarding each finding:

1. **Nursing** - Given that documentation was unavailable, the District accepts this finding.
2. **Counseling** – The review required a time study to substantiate the claim. The time study was performed and, unfortunately, due to a combination of union vs. District and accreditation pressures, counselors were unable to timely and completely finish the study. **The District requests a new time study be performed to not only help substantiate these claims, but to set the rates for the 2005/06 claim previously filed (to be amended as a result of this process) and for future claims.**
3. **Health Fair** – Documentation to the extent required by the State Controller's Office was unavailable due to the retention of workpapers by SixTen; therefore, the District accepts this finding.

District Business Services

8800 Grossmont College Drive, El Cajon, CA 92020-1799 Phone 619-644-7575 Fax 619-644-7924

Mr. Jim L. Spano
Chief, Mandated Cost Audits Bureau
December 16, 2008

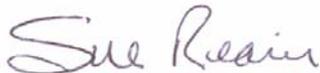
Page 2

4. **Student Insurance** – The review found the District's claim understated the allowable amount for student insurance. The District accepts this favorable finding.
5. **Excess Service Costs** – The District accepts this favorable finding.
6. **Indirect Costs** – The indirect costs claimed in years impacted by this finding were filed based on SixTen's application of the indirect cost rate procedures. The District accepts this finding.
7. **Health Service Fees** – The District accepts this finding.
8. **Offsetting Reimbursements** – The District accepts this favorable finding.

Of the seven (7) findings, three (3) are favorable and will have the affect of offsetting the claim reductions from the other findings.

Please contact me at 619-644-7575 if you need any additional information.

Sincerely,



Sue Rearic
Vice Chancellor-Business Services

Pmt

cc: Dr. Omero Suarez, Chancellor, Grossmont-Cuyamaca Community College District
Dr. Ben Lastimado, Vice Chancellor-Human Resources & Labor Relations,
Grossmont-Cuyamaca Community College District
Steve W. Van Zee, Audit Manager, State Controller's Office

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

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