



JOHN CHIANG
California State Controller

January 4, 2012

Rita Cepeda, Chancellor
San José/Evergreen Community College District
4750 San Felipe Road
San José, CA 95135

Dear Ms. Cepeda:

The State Controller's Office (SCO) reviewed the costs claimed by San José/Evergreen 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, 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 \$201,417 for the mandated program. Our review disclosed that \$173,305 is allowable and \$28,112 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 \$28,112 from other mandated program payments due to 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 Web site at 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/bf

Attachments

RE: S12-MCC-902

cc: Peter Fitzsimmons, Director, Fiscal Services
San José/Evergreen 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**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs	\$ 805,478	\$ 805,478	\$ —
Indirect costs	<u>268,948</u>	<u>268,948</u>	<u>—</u>
Total direct and indirect costs	1,074,426	1,074,426	—
Less authorized health service fees	(696,496)	(724,608)	(28,112)
Less offsetting savings/reimbursements	<u>(176,513)</u>	<u>(176,513)</u>	<u>—</u>
Total program costs	<u>\$ 201,417</u>	173,305	<u>\$ (28,112)</u>
Less amount paid by the State		<u>(201,417)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (28,112)</u>	

¹ 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 \$28,112. The district understated the authorized fees because it calculated the fees using incorrect enrollment data and an incorrect authorized health fee rate.

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 the Fall 2008 and Spring 2009 semesters, the authorized health fee rate was \$17. The district calculated fees by using an incorrect rate of \$16.

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 district used incorrect enrollment date to calculate authorized fees. The district included only those students reported in MIS data element STD7, codes A, B, C, and F.

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

	Period		Total
	Fall Semester	Spring Semester	
Fiscal Year 2008-09:			
Number of enrolled students	\$ 22,061	\$ 20,593	
Less number of apprenticeship program enrollees	(30)	—	
Subtotal	22,031	20,593	
Authorized health fee rate	× \$(17)	× \$(17)	
Authorized health service fees	<u>\$(374,527)</u>	<u>\$(350,081)</u>	\$ (724,608)
Less authorized health service fees claimed			696,496
Review adjustment, FY 2008-09			<u>\$ (28,112)</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).