

Memorandum

To : Michael J. Havey, Chief
Division of Accounting and Reporting
State Controller's Office

Date: May 22, 2009

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

Subject: LOS RIOS COMMUNITY COLLEGE DISTRICT
HEALTH FEE ELIMINATION PROGRAM MANDATED COST CLAIMS
JULY 1, 2005, THROUGH JUNE 30, 2008

We reviewed the costs claimed by Los Rios 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, 2005, through June 30, 2008. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$2,757,467 for the mandated program. Our review disclosed that the entire amount is unallowable, as described in the attached Summary of Program Costs and Finding and Recommendation. The costs are unallowable because the district did not report authorized health service fees.

We recommend that the Division of Accounting and Reporting notify the district of the results of this review. The State paid the district \$599,822, which should be offset from other mandated program payments due the district. Alternatively, the district may remit that amount to the State.

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 (svanee@sco.ca.gov).

JVB:wm:sk

Attachments

S09-MCC-900

cc: Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
Steve Van Zee, Audit Manager
Division of Audits

**Attachment 1—
Summary of Program Costs
July 1, 2005, through June 30, 2008**

<u>Cost Elements</u>	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs	\$ 724,324	\$ 724,324	\$ —
Indirect costs	217,297	217,297	—
Total direct and indirect costs	941,621	941,621	—
Less authorized health service fees	—	(1,721,289)	(1,721,289)
Subtotal	941,621	(779,668)	(1,721,289)
Audit adjustments that exceed costs claimed	—	779,668	779,668
Total program costs	<u>\$ 941,621</u>	—	<u>\$ (941,621)</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	\$ 570,769	\$ 570,769	\$ —
Indirect costs	215,179	215,179	—
Total direct and indirect costs	785,948	785,948	—
Less authorized health service fees	—	(2,505,855)	(2,505,855)
Subtotal	785,948	(1,719,907)	(2,505,855)
Audit adjustments that exceed costs claimed	—	1,719,907	1,719,907
Total program costs	<u>\$ 785,948</u>	—	<u>\$ (785,948)</u>
Less amount paid by the State		(599,822)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (599,822)</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs	\$ 756,388	\$ 756,388	\$ —
Indirect costs	273,510	273,510	—
Total direct and indirect costs	1,029,898	1,029,898	—
Less authorized health service fees	—	(2,840,231)	(2,840,231)
Subtotal	1,029,898	(1,810,333)	(2,840,231)
Audit adjustments that exceed costs claimed	—	1,810,333	1,810,333
Total program costs	<u>\$ 1,029,898</u>	—	<u>\$ (1,029,898)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

Attachment 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment ¹</u>
<u>Summary: July 1, 2005, through June 30, 2008</u>			
Direct costs	\$ 2,051,481	\$ 2,051,481	\$ —
Indirect costs	705,986	705,986	—
Total direct and indirect costs	2,757,467	2,757,467	—
Less authorized health service fees	—	(7,067,375)	(7,067,375)
Subtotal	2,757,467	(4,309,908)	(7,067,375)
Audit adjustments that exceed costs claimed	—	4,309,908	4,309,908
Total program costs	<u>\$ 2,757,467</u>	—	<u>\$(2,757,467)</u>
Less amount paid by the State		(599,822)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (599,822)</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2—
Finding and Recommendation
July 1, 2005, through June 30, 2008

FINDING—
Understated
authorized health
service fees

The district understated authorized health service fees by \$7,067,375 for the period July 1, 2005, through June 30, 2008. The district did not report authorized health service fees in its mandated cost claims.

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, 2005, 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). For FY 2005-06, the authorized fees were \$14 per semester and \$11 per summer session. For FY 2006-07, the authorized fees were \$15 per semester and \$12 per summer session. For FY 2007-08, the authorized fees were \$16 per semester and \$13 per summer session.

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 audit adjustment:

	Semester			Total
	Summer	Fall	Spring	
Fiscal Year 2005-06:				
Number of enrolled students	28,683	70,501	70,319	
Less apprenticeship program enrollees	(474)	(2,564)	(2,668)	
BOGG recipients	(10,990)	(26,168)	—	
Subtotal	17,219	41,769	67,651	
Authorized health fee rate	× \$(11)	× \$(14)	× \$(14)	
Authorized health service fees	<u>\$ (189,409)</u>	<u>\$ (584,766)</u>	<u>\$ (947,114)</u>	\$ (1,721,289)
Fiscal Year 2006-07:				
Number of enrolled students	30,214	74,459	74,932	
Less apprenticeship program enrollees	(1,359)	(2,638)	(2,780)	
Subtotal	28,855	71,821	72,152	
Authorized health fee rate	× \$(12)	× \$(15)	× \$(15)	
Authorized health service fees	<u>\$ (346,260)</u>	<u>\$ (1,077,315)</u>	<u>\$ (1,082,280)</u>	(2,505,855)
Fiscal Year 2007-08:				
Number of enrolled students	33,758	79,362	77,476	
Less apprenticeship program enrollees	(1,531)	(2,702)	(2,806)	
Subtotal	32,227	76,660	74,670	
Authorized health fee rate	× \$(13)	× \$(16)	× \$(16)	
Authorized health service fees	<u>\$ (418,951)</u>	<u>\$ (1,226,560)</u>	<u>\$ (1,194,720)</u>	(2,840,231)
Authorized health service fees				<u><u>\$ (7,067,375)</u></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 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.