

# Memorandum

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

**Date:** July 27, 2009

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

**Subject:** MIRACOSTA COMMUNITY COLLEGE DISTRICT  
HEALTH FEE ELIMINATION PROGRAM MANDATED COST CLAIMS  
FOR THE PERIOD OF JULY 1, 2002, THROUGH JUNE 30, 2008

We reviewed the costs claimed by MiraCosta 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, 2002, through June 30, 2008. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$440,114 for the mandated program. Our review disclosed that \$39,942 is allowable and \$400,172 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 \$112,411. Our review disclosed that the claimed costs are unallowable. The State should offset \$112,411 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the fiscal year (FY) 2003-04, FY 2005-06, and FY 2007-08 claims, the State made no payment to the district. Our review disclosed that the claimed costs are unallowable.

For the FY 2004-05 claim, the State made no payment to the district. Our review disclosed that \$39,942 is allowable. The State should pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$32,454. Our review disclosed that the claimed costs are unallowable. The State should offset \$32,454 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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](mailto:jspano@sco.ca.gov)), or Steve Van Zee, Audit Manager, at (916) 323-2368 ([svanzee@sco.ca.gov](mailto:svanzee@sco.ca.gov)).

JVB:sk

Attachments

Re: S09-MCC-913

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, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs	\$ 268,918	\$ 268,918	\$ —
Indirect costs	72,339	72,339	—
Total direct and indirect costs	341,257	341,257	—
Less authorized health service fees	(228,846)	(385,908)	(157,062)
Subtotal	112,411	(44,651)	(157,062)
Review adjustments that exceed costs claimed	—	44,651	44,651
Total program costs	<u>\$ 112,411</u>	—	<u>\$ (112,411)</u>
Less amount paid by the State		(112,411)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (112,411)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs	\$ 300,135	\$ 300,135	\$ —
Indirect costs	21,009	21,009	—
Total direct and indirect costs	321,144	321,144	—
Less authorized health service fees	(268,734)	(342,654)	(73,920)
Subtotal	52,410	(21,510)	(73,920)
Review adjustments that exceed costs claimed	—	21,510	21,510
Total program costs	<u>\$ 52,410</u>	—	<u>\$ (52,410)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs	\$ 365,373	\$ 365,373	—
Indirect costs	25,576	25,576	—
Total direct and indirect costs	390,949	390,949	—
Less authorized health service fees	(333,081)	(351,007)	(17,926)
Total program costs	<u>\$ 57,868</u>	39,942	<u>\$ (17,926)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 39,942</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs	\$ 323,216	\$ 323,216	\$ —
Indirect costs	22,625	22,625	—
Total direct and indirect costs	345,841	345,841	—
Less authorized health service fees	(255,780)	(423,458)	(167,678)
Less offsetting savings/reimbursements	(30,639)	(30,639)	—
Subtotal	59,422	(108,256)	(167,678)
Review adjustments that exceed costs claimed	—	108,256	108,256
Total program costs	<u>\$ 59,422</u>	—	<u>\$ (59,422)</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	\$ 330,559	\$ 330,559	\$ —
Indirect costs	101,151	101,151	—
Total direct and indirect costs	431,710	431,710	—
Less authorized health service fees	(365,712)	(505,701)	(139,989)
Subtotal	65,998	(73,991)	(139,989)
Review adjustments that exceed costs claimed	—	73,991	73,991
Total program costs	<u>\$ 65,998</u>	—	<u>\$ (65,998)</u>
Less amount paid by the State		(32,454)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (32,454)</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs	\$ 395,518	\$ 395,518	\$ —
Indirect costs	120,949	120,949	—
Total direct and indirect costs	516,467	516,467	—
Less authorized health service fees	(424,462)	(516,788)	(92,326)
Subtotal	92,005	(321)	(92,326)
Review adjustments that exceed costs claimed	—	321	321
Total program costs	<u>\$ 92,005</u>	—	<u>\$ (92,005)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<b>Summary: July 1, 2002, through June 30, 2008</b>			
Direct costs	\$ 1,983,719	\$ 1,983,719	\$ —
Indirect costs	363,649	363,649	—
Total direct and indirect costs	2,347,368	2,347,368	—
Less authorized health service fees	(1,876,615)	(2,525,516)	(648,901)
Less offsetting savings/reimbursements	(30,639)	(30,639)	—
Subtotal	440,114	(208,787)	(648,901)
Review adjustments that exceed costs claimed	—	248,729	248,729
Total program costs	<u>\$ 440,114</u>	39,942	<u>\$ (400,172)</u>
Less amount paid by the State		<u>(144,865)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (104,923)</u>	

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

## Attachment 2— Finding and Recommendation July 1, 2002, through June 30, 2008

**FINDING—  
Understated authorized  
health service fees**

The district understated authorized health service fees by \$648,901.

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	
	Semester	Summer
2002-03	\$ 12	\$ 9
2003-04	12	9
2004-05	13	10
2005-06	14	11
2006-07	15	12
2007-08	16	13

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:

	Period			Total
	Summer Session	Fall Semester	Spring Semester	
Fiscal Year 2002-03:				
Number of enrolled students	6,959	15,072	15,725	
Less number of BOGG recipients	<u>(555)</u>	<u>(1,647)</u>	<u>(1,794)</u>	
Subtotal	6,404	13,425	13,931	
Authorized health fee rate	× \$ (9)	× \$ (12)	× \$ (12)	
Authorized health service fees	<u>\$ (57,636)</u>	<u>\$ (161,100)</u>	<u>\$ (167,172)</u>	\$ (385,908)
Less authorized health service fees claimed				<u>228,846</u>
Review adjustment, FY 2002-03				<u>(157,062)</u>
Fiscal Year 2003-04:				
Number of enrolled students	5,452	13,876	14,613	
Less number of BOGG recipients	<u>(446)</u>	<u>(1,744)</u>	<u>(1,945)</u>	
Subtotal	5,006	12,132	12,668	
Authorized health fee rate	× \$ (9)	× \$ (12)	× \$ (12)	
Authorized health service fees	<u>\$ (45,054)</u>	<u>\$ (145,584)</u>	<u>\$ (152,016)</u>	(342,654)
Less authorized health service fees claimed				<u>268,734</u>
Review adjustment, FY 2003-04				<u>(73,920)</u>
Fiscal Year 2004-05:				
Number of enrolled students	5,188	13,568	14,123	
Less number of BOGG recipients	<u>(623)</u>	<u>(2,036)</u>	<u>(2,166)</u>	
Subtotal	4,565	11,532	11,957	
Authorized health fee rate	× \$ (10)	× \$ (13)	× \$ (13)	
Authorized health service fees	<u>\$ (45,650)</u>	<u>\$ (149,916)</u>	<u>\$ (155,441)</u>	(351,007)
Less authorized health service fees claimed				<u>333,081</u>
Review adjustment, FY 2004-05				<u>(17,926)</u>
Fiscal Year 2005-06:				
Number of enrolled students	5,712	13,952	14,434	
Less number of BOGG recipients	<u>(700)</u>	<u>(2,077)</u>	<u>—</u>	
Subtotal	5,012	11,875	14,434	
Authorized health fee rate	× \$ (11)	× \$ (14)	× \$ (14)	
Authorized health service fees	<u>\$ (55,132)</u>	<u>\$ (166,250)</u>	<u>\$ (202,076)</u>	(423,458)
Less authorized health service fees claimed				<u>255,780</u>
Review adjustment, FY 2005-06				<u>(167,678)</u>
Fiscal Year 2006-07:				
Number of enrolled students	5,858	14,317	14,710	
Authorized health fee rate	× \$ (12)	× \$ (15)	× \$ (15)	
Authorized health service fees	<u>\$ (70,296)</u>	<u>\$ (214,755)</u>	<u>\$ (220,650)</u>	(505,701)
Less authorized health service fees claimed				<u>365,712</u>
Review adjustment, FY 2006-07				<u>(139,989)</u>
Fiscal Year 2007-08:				
Number of enrolled students	6,580	14,771	12,182	
Authorized health fee rate	× \$ (13)	× \$ (16)	× \$ (16)	
Authorized health service fees	<u>\$ (85,540)</u>	<u>\$ (236,336)</u>	<u>\$ (194,912)</u>	(516,788)
Less authorized health service fees claimed				<u>424,462</u>
Review adjustment, FY 2007-08				<u>(92,326)</u>
Total review adjustment				<u>\$ (648,901)</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 CCCCO 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). 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.