



JOHN CHIANG
California State Controller

March 26, 2010

Rod Frese, Ph.D., Vice President
Administrative Services
College of the Sequoias Community College District
915 South Mooney Boulevard
Visalia, CA 93277

Dear Dr. Frese:

The State Controller's Office (SCO) reviewed the costs claimed by College of the Sequoias 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, 2005, through June 30, 2008. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$309,284 (\$324,035 less a \$14,751 penalty for filing a late claim) for the mandated program. Our review disclosed that \$304,775 is allowable and \$4,509 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) 2005-06 and FY 2006-07 claims, the State made no payment to the district. Our review disclosed that \$260,975 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2007-08 claim, the State paid the district \$40,920. Our review disclosed that \$43,800 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling 2,880, contingent upon available appropriations.

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/vb

Attachments

RE: S10-MCC-906

cc: Linda McCauley
Chief Accounting Officer
College of the Sequoias Community College District
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit, Department of Finance
Christine Atalig, Auditor, Fiscal Services Unit
California Community Colleges Chancellor's Office
Ginny Brummels, Manager
Division of Accounting and Reporting
State Controller's Office

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

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs	\$ 281,009	\$ 281,009	\$ —
Indirect costs	99,365	99,365	—
Total direct and indirect costs	380,374	380,374	—
Less authorized health service fees	(230,706)	(230,820)	(114)
Less offsetting savings/reimbursement	(2,160)	(2,160)	—
Less late filing penalty ²	(14,751)	(10,000)	4,751
Subtotal	132,757	137,394	4,637
Review adjustments that exceed costs claimed ³	—	(4,637)	(4,637)
Total program costs	<u>\$ 132,757</u>	132,757	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 132,757</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs	\$ 395,810	\$ 395,810	\$ —
Indirect costs	114,428	114,428	—
Total direct and indirect costs	510,238	510,238	—
Less authorized health service fees	(375,960)	(372,621)	3,339
Less offsetting savings/reimbursement	(6,060)	(6,060)	—
Subtotal	128,218	131,557	3,339
Review adjustments that exceed costs claimed ³	—	(3,339)	(3,339)
Total program costs	<u>\$ 128,218</u>	128,218	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 128,218</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs	\$ 372,444	\$ 372,444	—
Indirect costs	115,383	115,383	—
Total direct and indirect costs	487,827	487,827	—
Less authorized health service fees	(421,241)	(425,750)	(4,509)
Less offsetting savings/reimbursement	(18,277)	(18,277)	—
Total program costs	<u>\$ 48,309</u>	43,800	<u>\$ (4,509)</u>
Less amount paid by the State		(40,920)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,880</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2005, through June 30, 2008</u>			
Direct costs	\$ 1,049,263	\$ 1,049,263	\$ —
Indirect costs	329,176	329,176	—
Total direct and indirect costs	1,378,439	1,378,439	—
Less authorized health service fees	(1,027,907)	(1,029,191)	(1,284)
Less offsetting savings/reimbursement	(26,497)	(26,497)	—
Less late filing penalty ²	(14,751)	(10,000)	4,751
Subtotal	309,284	312,751	3,467
Review adjustments that exceed costs claimed ³	—	(7,976)	(7,976)
Total program costs	<u>\$ 309,284</u>	304,775	<u>\$ (4,509)</u>
Less amount paid by the State		(40,920)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 263,855</u>	

¹ See Attachment 2, Finding and Recommendation.

² The district incorrectly self-assessed a \$14,751 late claim penalty. The correct penalty amount is \$10,000.

³ Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2005-06 and FY 2006-07.

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 \$1,284.

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, 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). The following table summarizes the authorized fee per student:

Fiscal Year	Authorized Health Fee Rate	
	Fall/Spring Semester	Summer Session
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 2005-06:				
Number of enrolled students	2,993	10,506	9,946	
Less number of BOGG recipients	(1,533)	(5,112)	—	
Subtotal	1,460	5,394	9,946	
Authorized health fee rate	× \$ (11)	× \$ (14)	× \$ (14)	
Authorized health service fees	<u>\$ (16,060)</u>	<u>\$ (75,516)</u>	<u>\$ (139,244)</u>	\$ (230,820)
Less authorized health service fees claimed				<u>230,706</u>
Review adjustment, FY 2005-06				<u>(114)</u>
Fiscal Year 2006-07:				
Number of enrolled students	3,558	10,951	11,044	
Subtotal	3,558	10,951	11,044	
Authorized health fee rate	× \$ (12)	× \$ (15)	× \$ (15)	
Authorized health service fees	<u>\$ (42,696)</u>	<u>\$ (164,265)</u>	<u>\$ (165,660)</u>	(372,621)
Less authorized health service fees claimed				<u>375,960</u>
Review adjustment, FY 2006-07				<u>3,339</u>
Fiscal Year 2007-08:				
Number of enrolled students	3,886	12,013	11,439	
Authorized health fee rate	× \$ (13)	× \$ (16)	× \$ (16)	
Authorized health service fees	<u>\$ (50,518)</u>	<u>\$ (192,208)</u>	<u>\$ (183,024)</u>	(425,750)
Less authorized health service fees claimed				<u>421,241</u>
Review adjustment, FY 2007-08				<u>(4,509)</u>
Total review adjustment				<u>\$ (1,284)</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). 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.