



JOHN CHIANG
California State Controller

April 22, 2010

Peter J. Hardash, Vice Chancellor
Business Operations/Fiscal Services
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, CA 92706

Dear Mr. Hardash:

The State Controller's Office (SCO) reviewed the costs claimed by Rancho Santiago 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, 2009. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$2,522,329 (\$2,532,329 less a \$10,000 penalty for filing a late claim) for the mandated program. Our review disclosed that the entire amount 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) 2007-08 claim, the State paid the district \$499,082. Our review disclosed that the claimed costs are unallowable. The State will offset \$499,082 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06, FY 2006-07, and FY 2008-09 claims, the State made no payment to the district. Our review disclosed that the claimed costs are unallowable.

If you disagree with the audit 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/sk:vb

Attachments

RE: S10-MCC-909

cc: Rennie Velasquez, Director of Accounting
Rancho Santiago 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, 2009**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs	\$ 729,184	\$ 729,184	\$ —
Indirect costs	218,755	218,755	—
Total direct and indirect costs	947,939	947,939	—
Less authorized health service fees	(434,775)	(1,201,952)	(767,177)
Less late filing penalty	(10,000)	(10,000)	—
Review adjustments that exceed costs claimed	—	264,013	264,013
Total program costs	<u>\$ 503,164</u>	—	<u>\$ (503,164)</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	\$ 1,086,246	\$ 1,086,246	\$ —
Indirect costs	325,874	325,874	—
Total direct and indirect costs	1,412,120	1,412,120	—
Less authorized health service fees	(668,214)	(1,495,719)	(827,505)
Review adjustments that exceed costs claimed	—	83,599	83,599
Total program costs	<u>\$ 743,906</u>	—	<u>\$ (743,906)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs	\$ 997,241	\$ 997,241	\$ —
Indirect costs	299,172	299,172	—
Total direct and indirect costs	1,296,413	1,296,413	—
Less authorized health service fees	(707,215)	(1,760,001)	(1,052,786)
Review adjustments that exceed costs claimed	—	463,588	463,588
Total program costs	<u>\$ 589,198</u>	—	<u>\$ (589,198)</u>
Less amount paid by the State		(499,082)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (499,082)</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs	\$ 1,150,382	\$ 1,150,382	\$ —
Indirect costs	345,115	345,115	—
Total direct and indirect costs	1,495,497	1,495,497	—
Less authorized health service fees	(742,697)	(1,775,285)	(1,032,588)
Less offsetting savings/reimbursements	(66,739)	(66,739)	—
Review adjustments that exceed costs claimed	—	346,527	346,527
Total program costs	<u>\$ 686,061</u>	—	<u>\$ (686,061)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2005, through June 30, 2009</u>			
Direct costs	\$ 3,963,053	\$ 3,963,053	\$ —
Indirect costs	1,188,916	1,188,916	—
Total direct and indirect costs	5,151,969	5,151,969	—
Less authorized health service fees	(2,552,901)	(6,232,957)	(3,680,056)
Less offsetting savings/reimbursements	(66,739)	(66,739)	—
Less late filing penalty	(10,000)	(10,000)	—
Review adjustments that exceed costs claimed	—	1,157,727	1,157,727
Total program costs	<u>\$ 2,522,329</u>	—	<u>\$(2,522,329)</u>
Less amount paid by the State		(499,082)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (499,082)</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Finding and Recommendation July 1, 2005, through June 30, 2009

**FINDING—
Understated authorized
health service fees**

The district understated authorized health service fees by \$3,680,056.

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:

<u>Fiscal Year</u>	<u>Authorized Health Fee Rate</u>	
	<u>Fall/Spring Semester</u>	<u>Summer Session/ Winter Intersession</u>
2005-06	\$14	\$11
2006-07	15	12
2007-08	16	13
2008-09	17	14

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:

	Summer Session	Fall Semester	Winter Intersession	Spring Semester	Total
Fiscal Year 2005-06:					
Number of enrolled students	18,666	41,567	—	45,941	
Less number of apprenticeship program enrollees	(1,048)	(1,827)	—	(2,449)	
Less number of BOGG recipients	(3,738)	(8,284)	—	—	
Subtotal	13,880	31,456	—	43,492	
Authorized health fee rate	× \$(11)	× \$(14)	× \$(11)	× \$(14)	
Authorized health service fees	<u>\$(152,680)</u>	<u>\$(440,384)</u>	<u>\$ —</u>	<u>\$(608,888)</u>	<u>\$(1,201,952)</u>
Less authorized health service fees claimed					<u>434,775</u>
Review adjustment, FY 2005-06					<u>(767,177)</u>
Fiscal Year 2006-07:					
Number of enrolled students	17,241	43,367	—	47,934	
Less number of apprenticeship program enrollees	(1,119)	(1,984)	—	(2,500)	
Subtotal	16,122	41,383	—	45,434	
Authorized health fee rate	× \$(12)	× \$(15)	× \$(12)	× \$(15)	
Authorized health service fees	<u>\$(193,464)</u>	<u>\$(620,745)</u>	<u>\$ —</u>	<u>\$(681,510)</u>	<u>(1,495,719)</u>
Less authorized health service fees claimed					<u>668,214</u>
Review adjustment, FY 2006-07					<u>(827,505)</u>
Fiscal Year 2007-08:					
Number of enrolled students	19,553	46,882	7,205	46,693	
Less number of apprenticeship program enrollees	(1,244)	(2,177)	(5)	(2,124)	
Subtotal	18,309	44,705	7,200	44,569	
Authorized health fee rate	× \$(13)	× \$(16)	× \$(13)	× \$(16)	
Authorized health service fees	<u>\$(238,017)</u>	<u>\$(715,280)</u>	<u>\$(93,600)</u>	<u>\$(713,104)</u>	<u>(1,760,001)</u>
Less authorized health service fees claimed					<u>707,215</u>
Review adjustment, FY 2007-08					<u>(1,052,786)</u>
Fiscal Year 2008-09:					
Number of enrolled students	21,075	45,574	—	46,623	
Less number of apprenticeship program enrollees	(865)	(1,345)	—	(3,067)	
Subtotal	20,210	44,229	—	43,556	
Authorized health fee rate	× \$(14)	× \$(17)	× \$(14)	× \$(17)	
Authorized health service fees	<u>\$(282,940)</u>	<u>\$(751,893)</u>	<u>\$ —</u>	<u>\$(740,452)</u>	<u>(1,775,285)</u>
Less authorized health service fees claimed					<u>742,697</u>
Review adjustment, FY 2008-09					<u>(1,032,588)</u>
Total review adjustment					<u>\$(3,680,056)</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 CCCC 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.