

# Memorandum

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

**Date:** June 24, 2009

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

**Subject:** REDWOODS COMMUNITY COLLEGE DISTRICT  
HEALTH FEE ELIMINATION PROGRAM MANDATED COST CLAIMS  
JULY 1, 2002, THROUGH JUNE 30, 2007

We reviewed the costs claimed by Redwoods 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, 2007. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$439,666 (\$440,666 less a \$1,000 penalty for filing a late claim) for the mandated program. Our review disclosed that \$175,680 is allowable and \$263,986 is unallowable, as described in the attached Summary of Program Costs and Finding and Recommendation. The costs are unallowable because the district understated authorized health service fees.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$25,487. Our review disclosed that the claimed costs are unallowable. The State should offset \$25,487 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 through FY 2005-06 claims, the state made no payment to the district. Our review disclosed that \$175,680 is allowable. The state should pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$62,590. Our review disclosed that the claimed costs are unallowable. The State should offset \$62,590 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:wm:sk

Attachments

S09-MCC-902

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, 2002, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs	\$ 100,169	\$ 100,169	\$ —
Indirect costs	20,655	20,655	—
Total direct and indirect costs	120,824	120,824	—
Less authorized health service fees	(95,337)	(123,882)	(28,545)
Subtotal	25,487	(3,058)	(28,545)
Review adjustments that exceed costs claimed	—	3,058	3,058
Total program costs	<u>\$ 25,487</u>	—	<u>\$ (25,487)</u>
Less amount paid by the State		(25,487)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (25,487)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs	\$ 119,346	\$ 119,346	\$ —
Indirect costs	46,115	46,115	—
Total direct and indirect costs	165,461	165,461	—
Less authorized health service fees	(74,122)	(97,110)	(22,988)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 90,339</u>	67,351	<u>\$ (22,988)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,351</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs	\$ 138,975	\$ 138,975	\$ —
Indirect costs	52,671	52,671	—
Total direct and indirect costs	191,646	191,646	—
Less authorized health service fees	(65,471)	(98,532)	(33,061)
Less offsetting savings/reimbursements	(1,806)	(1,806)	—
Total program costs	<u>\$ 124,369</u>	91,308	<u>\$ (33,061)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 91,308</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	\$ 114,499	\$ 114,499	\$ —
Indirect costs	42,880	42,880	—
Total direct and indirect costs	157,379	157,379	—
Less authorized health service fees	(58,578)	(140,358)	(81,780)
Total program costs	<u>\$ 98,801</u>	17,021	<u>\$ (81,780)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,021</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs	\$ 110,340	\$ 110,340	\$ —
Indirect costs	43,695	43,695	—
Total direct and indirect costs	154,035	154,035	—
Less authorized health service fees	(53,365)	(187,239)	(133,874)
Subtotal	100,670	(33,204)	(133,874)
Review adjustments that exceed costs claimed	—	33,204	33,204
Total program costs	<u>\$ 100,670</u>	—	<u>\$ (100,670)</u>
Less amount paid by the State		(62,590)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (62,590)</u>	
<u>Summary: July 1, 2002, through June 30, 2007</u>			
Direct costs	\$ 583,329	\$ 583,329	\$ —
Indirect costs	206,016	206,016	—
Total direct and indirect costs	789,345	789,345	—
Less authorized health service fees	(346,873)	(647,121)	(300,248)
Less offsetting savings/reimbursements	(1,806)	(1,806)	—
Less late filing penalty	(1,000)	(1,000)	—
Subtotal	439,666	139,418	(300,248)
Review adjustments that exceed costs claimed	—	36,262	36,262
Total program costs	<u>\$ 439,666</u>	175,680	<u>\$ (263,986)</u>
Less amount paid by the State		(88,077)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 87,603</u>	

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

## Attachment 2— Finding and Recommendation July 1, 2002, through June 30, 2007

**FINDING—  
Understated authorized  
health service fees**

The district understated authorized health service fees by \$300,248.

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	
	Fall and Spring Semesters	Summer Session
2002-03	\$12	\$ 9
2003-04	12	9
2004-05	13	10
2005-06	14	11
2006-07	15	12

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:

	Semester			Total
	Summer	Fall	Spring	
<b>Fiscal Year 2002-03:</b>				
Number of enrolled students	2,398	7,635	7,390	
Less number of BOGG recipients	—	(3,266)	(3,234)	
Subtotal	2,398	4,369	4,156	
Authorized health fee rate	× \$(9)	× \$(12)	× \$(12)	
Authorized health service fees	<u>\$ (21,582)</u>	<u>\$ (52,428)</u>	<u>\$ (49,872)</u>	\$ (123,882)
Less authorized health service fees claimed				95,337
Review adjustment, FY 2002-03				<u>(28,545)</u>
<b>Fiscal Year 2003-04:</b>				
Number of enrolled students	1,443	6,955	7,009	
Less number of BOGG recipients	(641)	(3,220)	(3,253)	
Subtotal	802	3,735	3,756	
Authorized health fee rate	× \$(9)	× \$(12)	× \$(12)	
Authorized health service fees	<u>\$ (7,218)</u>	<u>\$ (44,820)</u>	<u>\$ (45,072)</u>	(97,110)
Less authorized health service fees claimed				74,122
Review adjustment, FY 2003-04				<u>(22,988)</u>
<b>Fiscal Year 2004-05:</b>				
Number of enrolled students	1,704	6,723	6,737	
Less number of apprenticeship program enrollees	—	—	(14)	
Less number of BOGG recipients	(709)	(3,362)	(3,270)	
Subtotal	995	3,361	3,453	
Authorized health fee rate	× \$(10)	× \$(13)	× \$(13)	
Authorized health service fees	<u>\$ (9,950)</u>	<u>\$ (43,693)</u>	<u>\$ (44,889)</u>	(98,532)
Less authorized health service fees claimed				65,471
Review adjustment, FY 2004-05				<u>(33,061)</u>
<b>Fiscal Year 2005-06:</b>				
Number of enrolled students	1,217	6,558	6,012	
Less number of apprenticeship program enrollees	(22)	(21)	(18)	
Less number of BOGG recipients	(437)	(3,101)	—	
Subtotal	758	3,436	5,994	
Authorized health fee rate	× \$(11)	× \$(14)	× \$(14)	
Authorized health service fees	<u>\$ (8,338)</u>	<u>\$ (48,104)</u>	<u>\$ (83,916)</u>	(140,358)
Less authorized health service fees claimed				58,578
Review adjustment, FY 2005-06				<u>(81,780)</u>
<b>Fiscal Year 2006-07:</b>				
Number of enrolled students	1,122	5,808	5,794	
Less number of apprenticeship program enrollees	(5)	(13)	—	
Subtotal	1,117	5,795	5,794	
Authorized health fee rate	× \$(12)	× \$(15)	× \$(15)	
Authorized health service fees	<u>\$ (13,404)</u>	<u>\$ (86,925)</u>	<u>\$ (86,910)</u>	(187,239)
Less authorized health service fees claimed				53,365
Review adjustment, FY 2006-07				<u>(133,874)</u>
Total review adjustment				<u>\$ (300,248)</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 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.