

# Memorandum

**To :** Mike 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:** SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
HEALTH FEE ELIMINATION PROGRAM MANDATED COST CLAIMS  
FOR THE PERIOD OF JULY 1, 2002, THROUGH JUNE 30, 2004,  
AND JULY 1, 2007, THROUGH JUNE 30, 2008

We reviewed the costs claimed by South Orange County 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 July 1, 2002, through June 30, 2004, and July 1, 2007, through June 30, 2008. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$148,856 (\$149,856 less a \$1,000 penalty for filing a late claim) for the mandated program. Our review disclosed that \$46,667 is allowable and \$102,189 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 \$46,667. Our review disclosed that the claimed costs are allowable.

For the FY 2003-04 and FY 2007-08 claims, the state made no payments to the district. Our review disclosed that the claimed costs are unallowable.

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-904

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, 2004,  
and July 1, 2007, 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	\$ 736,687	\$ 736,687	\$ —
Indirect costs	261,430	261,430	—
Total direct and indirect costs	998,117	998,117	—
Less authorized health service fees	(951,450)	(941,997)	9,453
Subtotal	46,667	56,120	9,453
Allowable costs that exceed costs claimed <sup>2</sup>	—	(9,453)	(9,453)
Total program costs	<u>\$ 46,667</u>	46,667	<u>\$ —</u>
Less amount paid by the State		(46,667)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs	\$ 668,001	\$ 668,001	\$ —
Indirect costs	36,787	36,787	—
Total direct and indirect costs	704,788	704,788	—
Less authorized health service fees	(668,001)	(880,758)	(212,757)
Less late filing penalty	(1,000)	(1,000)	—
Subtotal	35,787	(176,970)	(212,757)
Review adjustments that exceed costs claimed	—	176,970	176,970
Total program costs	<u>\$ 35,787</u>	—	<u>\$ (35,787)</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	\$ 909,794	\$ 909,794	—
Indirect costs	225,205	225,205	—
Total direct and indirect costs	1,134,999	1,134,999	—
Less authorized health service fees	(1,068,597)	(1,503,612)	(435,015)
Subtotal	66,402	(368,613)	(435,015)
Review adjustments that exceed costs claimed	—	368,613	368,613
Total program costs	<u>\$ 66,402</u>	—	<u>\$ (66,402)</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 Review</u>	<u>Review Adjustment <sup>1</sup></u>
<u>Summary: July 1, 2002, through June 30, 2004, and July 1, 2007, through June 30, 2008</u>			
Direct costs	\$ 2,314,482	\$ 2,314,482	\$ —
Indirect costs	523,422	523,422	—
Total direct and indirect costs	2,837,904	2,837,904	—
Less authorized health service fees	(2,688,048)	(3,326,367)	(638,319)
Less late filing penalty	(1,000)	(1,000)	—
Subtotal	148,856	(489,463)	(638,319)
Allowable costs that exceed costs claimed <sup>2</sup>	—	(9,453)	(9,453)
Review adjustments that exceed costs claimed	—	545,583	545,583
Total program costs	<u>\$ 148,856</u>	46,667	<u>\$ (102,189)</u>
Less amount paid by the State		<u>(46,667)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

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

<sup>2</sup> Government Code section 17561 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 2002-03.

## Attachment 2— Finding and Recommendation July 1, 2002, through June 30, 2004, and July 1, 2007, through June 30, 2008

**FINDING—  
Understated authorized  
health service fees**

The district understated authorized health service fees by \$638,319.

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:

<u>Fiscal Year</u>	<u>Authorized Health Fee Rate</u>	
	<u>Fall and Spring Semesters</u>	<u>Summer Session</u>
2002-03	\$ 12	\$ 9
2003-04	12	9
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	20,810	36,778	34,185	
Less number of BOGG recipients	<u>(1,741)</u>	<u>(3,359)</u>	<u>(3,406)</u>	
Subtotal	19,069	33,419	30,779	
Authorized health fee rate	× \$ (9)	× \$ (12)	× \$ (12)	
Authorized health service fees	<u>\$ (171,621)</u>	<u>\$ (401,028)</u>	<u>\$ (369,348)</u>	\$ (941,997)
Less authorized health service fees claimed				<u>951,450</u>
Review adjustment, FY 2002-03				<u>9,453</u>
Fiscal Year 2003-04:				
Number of enrolled students	17,448	35,023	33,950	
Less number of BOGG recipients	<u>(1,638)</u>	<u>(3,659)</u>	<u>(3,775)</u>	
Subtotal	15,810	31,364	30,175	
Authorized health fee rate	× \$ (9)	× \$ (12)	× \$ (12)	
Authorized health service fees	<u>\$ (142,290)</u>	<u>\$ (376,368)</u>	<u>\$ (362,100)</u>	(880,758)
Less authorized health service fees claimed				<u>668,001</u>
Review adjustment, FY 2003-04				<u>(212,757)</u>
Fiscal Year 2007-08:				
Number of enrolled students	23,292	37,318	37,733	
Authorized health fee rate	× \$ (13)	× \$ (16)	× \$ (16)	
Authorized health service fees	<u>\$ (302,796)</u>	<u>\$ (597,088)</u>	<u>\$ (603,728)</u>	(1,503,612)
Less authorized health service fees claimed				<u>1,068,597</u>
Review adjustment, FY 2007-08				<u>(435,015)</u>
Total review adjustment				<u>\$ (638,319)</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.