

Memorandum

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

Date: June 30, 2009

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

Subject: SHASTA-TEHAMA-TRINITY JOINT COMMUNITY COLLEGE DISTRICT
HEALTH FEE ELIMINATION PROGRAM MANDATED COST CLAIMS
FOR THE PERIOD OF JULY 1, 2002, THROUGH JUNE 30, 2003,
AND JULY 1, 2004, THROUGH JUNE 30, 2008

We reviewed the costs claimed by Shasta-Tehama-Trinity Joint 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 July 1, 2002, through June 30, 2003, and July 1, 2004, through June 30, 2008. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$554,491 (\$555,491 less a \$1,000 penalty for filing a late claim) for the mandated program. Our review disclosed that \$497,811 is allowable and \$56,680 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 \$128,040. Our review disclosed that \$88,890 is allowable. The State should offset \$39,150 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 and FY 2005-06 claims, the State made no payment to the district. Our review disclosed that \$218,806 is allowable. The State should pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$64,148. Our review disclosed that \$117,996 is allowable. The State should pay allowable costs claimed that exceed the amount paid, totaling \$53,848, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our review disclosed that \$72,119 is allowable. The State should pay that amount, contingent upon available appropriations.

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

JVB/sk

Attachments

Re: S09-MCC-907

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, 2003,
and July 1, 2004, through June 30, 2008**

| <u>Cost Elements</u> | <u>Actual Costs Claimed</u> | <u>Allowable per Review</u> | <u>Review Adjustment ¹</u> |
|--|---------------------------------|---------------------------------|---|
| <u>July 1, 2002, through June 30, 2003</u> | | | |
| Direct costs | \$ 281,356 | \$ 281,356 | \$ — |
| Indirect costs | 73,013 | 73,013 | — |
| Total direct and indirect costs | 354,369 | 354,369 | — |
| Less authorized health service fees | (226,329) | (265,479) | (39,150) |
| Total program costs | <u>\$ 128,040</u> | 88,890 | <u>\$ (39,150)</u> |
| Less amount paid by the State | | <u>(128,040)</u> | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (39,150)</u> | |
| <u>July 1, 2004, through June 30, 2005</u> | | | |
| Direct costs | \$ 262,875 | \$ 262,875 | — |
| Indirect costs | 47,502 | 47,502 | — |
| Total direct and indirect costs | 310,377 | 310,377 | — |
| Less authorized health service fees | (201,259) | (184,115) | 17,144 |
| Less late filing penalty | (1,000) | (1,000) | — |
| Subtotal | 108,118 | 125,262 | 17,144 |
| Review adjustments that exceed costs claimed ² | — | (17,144) | (17,144) |
| Total program costs | <u>\$ 108,118</u> | 108,118 | <u>\$ —</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 108,118</u> | |
| <u>July 1, 2005, through June 30, 2006</u> | | | |
| Direct costs | \$ 293,210 | \$ 293,210 | \$ — |
| Indirect costs | 53,482 | 53,482 | — |
| Total direct and indirect costs | 346,692 | 346,692 | — |
| Less authorized health service fees | (236,004) | (230,531) | 5,473 |
| Subtotal | 110,688 | 116,161 | 5,473 |
| Review adjustments that exceed costs claimed ² | — | (5,473) | (5,473) |
| Total program costs | <u>\$ 110,688</u> | 110,688 | <u>\$ —</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 110,688</u> | |

Attachment 1 (continued)

| <u>Cost Elements</u> | <u>Actual Costs Claimed</u> | <u>Allowable per Review</u> | <u>Review Adjustment ¹</u> |
|--|---------------------------------|---------------------------------|---|
| <u>July 1, 2006, through June 30, 2007</u> | | | |
| Direct costs | \$ 332,859 | \$ 332,859 | \$ — |
| Indirect costs | 104,418 | 104,418 | — |
| Total direct and indirect costs | 437,277 | 437,277 | — |
| Less authorized health service fees | (311,241) | (319,281) | (8,040) |
| Total program costs | <u>\$ 126,036</u> | 117,996 | <u>\$ (8,040)</u> |
| Less amount paid by the State | | (64,148) | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 53,848</u> | |
| <u>July 1, 2007, through June 30, 2008</u> | | | |
| Direct costs | \$ 348,878 | \$ 348,878 | \$ — |
| Indirect costs | 112,374 | 112,374 | — |
| Total direct and indirect costs | 461,252 | 461,252 | — |
| Less authorized health service fees | (379,643) | (389,133) | (9,490) |
| Total program costs | <u>\$ 81,609</u> | 72,119 | <u>\$ (9,490)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 72,119</u> | |
| <u>Summary: July 1, 2002, through June 30, 2003, and July 1, 2004, through June 30, 2008</u> | | | |
| Direct costs | \$ 1,519,178 | \$ 1,519,178 | \$ — |
| Indirect costs | 390,789 | 390,789 | — |
| Total direct and indirect costs | 1,909,967 | 1,909,967 | — |
| Less authorized health service fees | (1,354,476) | (1,388,539) | (34,063) |
| Less late filing penalty | (1,000) | (1,000) | — |
| Subtotal | 554,491 | 520,428 | (34,063) |
| Review adjustments that exceed costs claimed | — | (22,617) | (22,617) |
| Total program costs | <u>\$ 554,491</u> | 497,811 | <u>\$ (56,680)</u> |
| Less amount paid by the State | | (192,188) | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 305,623</u> | |

¹ See Attachment 2, Finding and Recommendation.

² 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 2004-05 and FY 2005-06.

**Attachment 2—
Finding and Recommendation
July 1, 2002, through June 30, 2003,
and July 1, 2004, through June 30, 2008**

**FINDING—
Understated authorized
health service fees**

The district understated authorized health service fees by \$34,063

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 |
| 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 | 6,586 | 11,275 | 11,429 | |
| Less number of BOGG recipients | <u>(1,295)</u> | <u>(3,380)</u> | <u>(1,169)</u> | |
| Subtotal | 5,291 | 7,895 | 10,260 | |
| Authorized health fee rate | × \$ (9) | × \$(12) | × \$(12) | |
| Authorized health service fees | <u>\$ (47,619)</u> | <u>\$ (94,740)</u> | <u>\$ (123,120)</u> | \$ (265,479) |
| Less authorized health service fees claimed | | | | <u>226,329</u> |
| Review adjustment, FY 2002-03 | | | | <u>(39,150)</u> |
| Fiscal Year 2004-05: | | | | |
| Number of enrolled students | 2,600 | 9,858 | 10,084 | |
| Less number of BOGG recipients | <u>(653)</u> | <u>(3,474)</u> | <u>(3,803)</u> | |
| Subtotal | 1,947 | 6,384 | 6,281 | |
| Authorized health fee rate | × \$(10) | × \$(13) | × \$(13) | |
| Authorized health service fees | <u>\$ (19,470)</u> | <u>\$ (82,992)</u> | <u>\$ (81,653)</u> | (184,115) |
| Less authorized health service fees claimed | | | | <u>201,259</u> |
| Review adjustment, FY 2004-05 | | | | <u>17,144</u> |
| Fiscal Year 2005-06: | | | | |
| Number of enrolled students | 2,886 | 9,274 | 9,455 | |
| Less number of BOGG recipients | <u>(975)</u> | <u>(3,764)</u> | <u>—</u> | |
| Subtotal | 1,911 | 5,510 | 9,455 | |
| Authorized health fee rate | × \$(11) | × \$(14) | × \$(14) | |
| Authorized health service fees | <u>\$ (21,021)</u> | <u>\$ (77,140)</u> | <u>\$ (132,370)</u> | (230,531) |
| Less authorized health service fees claimed | | | | <u>236,004</u> |
| Review adjustment, FY 2005-06 | | | | <u>5,473</u> |
| Fiscal Year 2006-07: | | | | |
| Number of enrolled students | 2,894 | 9,204 | 9,767 | |
| Less number of students who depend on prayer for healing | <u>(1)</u> | <u>—</u> | <u>—</u> | |
| Subtotal | 2,893 | 9,204 | 9,767 | |
| Authorized health fee rate | × \$(12) | × \$(15) | × \$(15) | |
| Authorized health service fees | <u>\$ (34,716)</u> | <u>\$ (138,060)</u> | <u>\$ (146,505)</u> | (319,281) |
| Less authorized health service fees claimed | | | | <u>311,241</u> |
| Review adjustment, FY 2006-07 | | | | <u>(8,040)</u> |
| Fiscal Year 2007-08: | | | | |
| Number of enrolled students | 3,251 | 10,553 | 11,133 | |
| Less number of students who depend on prayer for healing | <u>(2)</u> | <u>(2)</u> | <u>(3)</u> | |
| Subtotal | 3,249 | 10,551 | 11,130 | |
| Authorized health fee rate | × \$(13) | × \$(16) | × \$(16) | |
| Authorized health service fees | <u>\$ (42,237)</u> | <u>\$ (168,816)</u> | <u>\$ (178,080)</u> | (389,133) |
| Less authorized health service fees claimed | | | | <u>379,643</u> |
| Review adjustment, FY 2007-08 | | | | <u>(9,490)</u> |
| Total review adjustment | | | | <u>\$ (34,063)</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.