

# Memorandum

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

**Date:** July 17, 2009

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

**Subject:** LAKE TAHOE COMMUNITY COLLEGE DISTRICT  
HEALTH FEE ELIMINATION PROGRAM MANDATED COST CLAIMS  
FOR THE PERIOD OF JULY 1, 2002, THROUGH JUNE 30, 2006,  
AND JULY 1, 2007, THROUGH JUNE 30, 2008

We reviewed the costs claimed by Lake Tahoe 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, 2006, 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 \$109,486 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) 2002-03 claim, the State paid the district \$11,541. Our review disclosed that the claimed costs are unallowable. The State should offset \$11,541 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04, FY 2004-05, FY 2005-06, and FY 2007-08 claims, the State made no payment 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 ([svanee@sco.ca.gov](mailto:svanee@sco.ca.gov)).

JVB/vb

Attachments

Re: S09-MCC-911

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, 2006,  
and July 1, 2007, through June 30, 2008**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment <sup>1</sup></u>
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs	\$ 73,695	\$ 73,695	\$ —
Indirect costs	18,549	18,549	—
Total direct and indirect costs	92,244	92,244	—
Less authorized health service fees	(80,703)	(113,148)	(32,445)
Subtotal	11,541	(20,904)	(32,445)
Review adjustments that exceed costs claimed	—	20,904	20,904
Total program costs	<u>\$ 11,541</u>	—	<u>\$ (11,541)</u>
Less amount paid by the State		(11,541)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (11,541)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs	\$ 58,358	\$ 58,358	\$ —
Indirect costs	4,085	4,085	—
Total direct and indirect costs	62,443	62,443	—
Less authorized health service fees	(37,950)	(100,530)	(62,580)
Subtotal	24,493	(38,087)	(62,580)
Review adjustments that exceed costs claimed	—	38,087	38,087
Total program costs	<u>\$ 24,493</u>	—	<u>\$ (24,493)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs	\$ 52,282	\$ 52,282	—
Indirect costs	3,660	3,660	—
Total direct and indirect costs	55,942	55,942	—
Less authorized health service fees	(30,234)	(115,430)	(85,196)
Subtotal	25,708	(59,488)	(85,196)
Review adjustments that exceed costs claimed	—	59,488	59,488
Total program costs	<u>\$ 25,708</u>	—	<u>\$ (25,708)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</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	\$ 55,810	\$ 55,810	\$ —
Indirect costs	3,907	3,907	—
Total direct and indirect costs	59,717	59,717	—
Less authorized health service fees	(33,120)	(128,821)	(95,701)
Subtotal	26,597	(69,104)	(95,701)
Review adjustments that exceed costs claimed	—	69,104	69,104
Total program costs	<u>\$ 26,597</u>	—	<u>\$ (26,597)</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	\$ 44,369	\$ 44,369	\$ —
Indirect costs	3,106	3,106	—
Total direct and indirect costs	47,475	47,475	—
Less authorized health service fees	(26,328)	(161,681)	(135,353)
Subtotal	21,147	(114,206)	(135,353)
Review adjustments that exceed costs claimed	—	114,206	114,206
Total program costs	<u>\$ 21,147</u>	—	<u>\$ (21,147)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2002, through June 30, 2006, and July 1, 2007, through June 30, 2008</u>			
Direct costs	\$ 284,514	\$ 284,514	\$ —
Indirect costs	33,307	33,307	—
Total direct and indirect costs	317,821	317,821	—
Less authorized health service fees	(208,335)	(619,610)	(411,275)
Subtotal	109,486	(301,789)	(411,275)
Review adjustments that exceed costs claimed	—	301,789	301,789
Total program costs	<u>\$ 109,486</u>	—	<u>\$ (109,486)</u>
Less amount paid by the State		(11,541)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (11,541)</u>	

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

## Attachment 2— Finding and Recommendation July 1, 2002, through June 30, 2006, and July 1, 2007, through June 30, 2008

**FINDING—  
Understated authorized  
health service fees**

The district understated authorized health service fees by \$411,275.

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 Per Quarter</u>
2002-03	\$ 9
2003-04	9
2004-05	10
2005-06	11
2007-08	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 Quarter	Fall Quarter	Winter Quarter	Spring Quarter	
Fiscal Year 2002-03:					
Number of enrolled students	2,109	4,362	3,536	3,538	
Less number of BOGG recipients	<u>(41)</u>	<u>(199)</u>	<u>(167)</u>	<u>(566)</u>	
Subtotal	2,068	4,163	3,369	2,972	
Authorized health fee rate	× \$ (9)	× \$ (9)	× \$ (9)	× \$ (9)	
Authorized health service fees	<u>\$ (18,612)</u>	<u>\$ (37,467)</u>	<u>\$ (30,321)</u>	<u>\$ (26,748)</u>	\$ (113,148)
Less authorized health service fees claimed					<u>80,703</u>
Review adjustment, FY 2002-03					<u>(32,445)</u>
Fiscal Year 2003-04:					
Number of enrolled students	1,799	3,778	3,177	3,407	
Less number of BOGG recipients	<u>(38)</u>	<u>(186)</u>	<u>(166)</u>	<u>(601)</u>	
Subtotal	1,761	3,592	3,011	2,806	
Authorized health fee rate	× \$ (9)	× \$ (9)	× \$ (9)	× \$ (9)	
Authorized health service fees	<u>\$ (15,849)</u>	<u>\$ (32,328)</u>	<u>\$ (27,099)</u>	<u>\$ (25,254)</u>	(100,530)
Less authorized health service fees claimed					<u>37,950</u>
Review adjustment, FY 2003-04					<u>(62,580)</u>
Fiscal Year 2004-05:					
Number of enrolled students	1,875	3,754	3,381	3,597	
Less number of BOGG recipients	<u>(32)</u>	<u>(183)</u>	<u>(205)</u>	<u>(644)</u>	
Subtotal	1,843	3,571	3,176	2,953	
Authorized health fee rate	× \$(10)	× \$(10)	× \$(10)	× \$(10)	
Authorized health service fees	<u>\$ (18,430)</u>	<u>\$ (35,710)</u>	<u>\$ (31,760)</u>	<u>\$ (29,530)</u>	(115,430)
Less authorized health service fees claimed					<u>30,234</u>
Review adjustment, FY 2004-05					<u>(85,196)</u>
Fiscal Year 2005-06:					
Number of enrolled students	2,082	3,612	2,900	3,327	
Less number of BOGG recipients	<u>(57)</u>	<u>(153)</u>	<u>—</u>	<u>—</u>	
Subtotal	2,025	3,459	2,900	3,327	
Authorized health fee rate	× \$(11)	× \$(11)	× \$(11)	× \$(11)	
Authorized health service fees	<u>\$ (22,275)</u>	<u>\$ (38,049)</u>	<u>\$ (31,900)</u>	<u>\$ (36,597)</u>	(128,821)
Less authorized health service fees claimed					<u>33,120</u>
Review adjustment, FY 2005-06					<u>(95,701)</u>
Fiscal Year 2007-08:					
Number of enrolled students	2,076	3,550	3,399	3,412	
Authorized health fee rate	× \$(13)	× \$(13)	× \$(13)	× \$(13)	
Authorized health service fees	<u>\$ (26,988)</u>	<u>\$ (46,150)</u>	<u>\$ (44,187)</u>	<u>\$ (44,356)</u>	(161,681)
Less authorized health service fees claimed					<u>26,328</u>
Review adjustment, FY 2007-08					<u>(135,353)</u>
Total review adjustment					<u>\$ (411,275)</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.